THE OVERSEAS PRIVATE INVESTMENT CORPORATION

1980 ANNUAL REPORT

Overseas Private
Investment Corporation
1129 20th St. N.W.
Washington, D.C. 20527

A Message From the President of OPIC

Record Growth

The start of a new administration calls for review of the record, evaluation of what has been accomplished, and assessment of OPIC's capability to meet the challenges of the eighties.

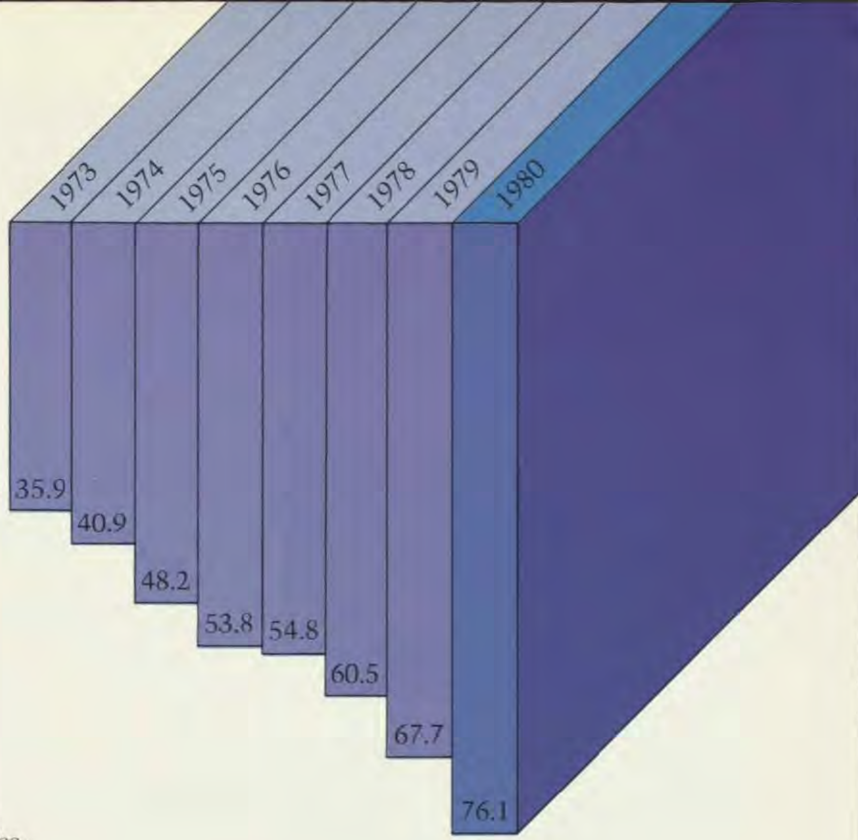
Since the present management team assumed operating responsibility in October of 1978, the organization has undergone significant changes designed to increase individual and corporate productivity. The results of these changes are reflected in the record performances of the past two years when $1.929 billion in insurance coverage was issued and commitments for project financing totaled more than $244 million. In fiscal 1980 alone, gross receipts reached $76.1 million and net income was $65.8 million. New insurance issued reached $1.13 billion and commitments for project financing hit an all-time high of $183.6 million. At the close of the fiscal year, reserves and retained earnings stood at a record $599 million.

Reversing a Trend

In 1978, Congress called for increased OPIC support for small business activities in international markets and more extensive programs for mineral and energy development. However, the 1978 legislation also imposed a number of limitations on the Corporation's operations which impeded its original mandate to foster economic development while operating on a self-sustaining basis. It directed that OPIC undertake special efforts to channel support for projects to the neediest countries and that it limit such support in those nations with annual per capita GNP's in excess of $1000.

As a result, OPIC lost considerable momentum in 1978. Insurance volume for that year

was $663 million, and loans and guaranties amounted to only $17.9 million. New approaches were required for the Corporation to continue on a self-sustaining basis and to meet its legislative mandates.



Gross Revenue in Millions of Dollars

Regaining Momentum

Setting the stage for expanded efforts called for certain internal changes and the adoption of systems to provide individual incentives to raise productivity. The first step was establishment of a comprehensive program for job and performance evaluation with merit pay provisions for outstanding performance.

Another step toward increased effectiveness was taken through a series of market studies to define that segment of the small business community with the potential for overseas operation. It was also necessary to develop an ongoing program to educate more companies about investment opportunities abroad. Key elements in this effort were significant expansions of domestic service activities and the investment mission program.

Other key steps were the development of broader services, such as the expansion of the letter of credit insurance program to include exporters and suppliers, and the implementation of a more flexible and aggressive finance operation. Our continuing efforts to refine and improve insurance coverage for energy projects have enhanced our ability to encourage development of energy resources.

To streamline operations and increase the Corporation's responsiveness to the needs of the business community, new data processing and word processing systems have been installed. There is an ongoing program to maximize their effectiveness by the creation of new software systems.

As a result of these changes and intensified marketing efforts, OPIC has regained its momentum and is in a better position to help the U.S. business community than at any time since its inception.

Needs and Markets

The United States will need improved access to the resources and critical materials of the developing world. In order to sustain growth and create jobs, the business community must establish stronger competitive positions in the growing markets of the developing countries. By the same token, the developing nations need capital and the unique management resources, agricultural expertise and training that private investment can bring to a growing economy.

Economic competition from other industrialized nations will be intense, and their businessmen will enjoy extensive support from their governments. To compete effectively in these markets, the U.S. investor must be provided with similar support in the form of OPIC's investment incentive programs.

The Future

New legislation extending OPIC's authority must be passed by Congress in 1981, and it must be designed to strengthen the partnership between the government and the private sector.

The creation of a stronger and more effective OPIC will require removal of the limitations on its support for projects in higher income developing countries and stronger emphasis on OPIC's role in strengthening trade and exports. With these changes U.S. investors will have better access to the growing markets of the developing world.

OPIC-supported foreign investment is a two-way street. For the developing countries it provides technology, revenues, jobs, new products for export and the hope of a better quality of life. In return, it offers U.S. business new market potential, creates domestic jobs through increased exports and generates revenue to help reduce our trade imbalance.

We need the people of the developing world as allies; we need their raw materials; we need their new markets to sustain our own economic growth. We need their cooperation in coping with common problems that confront not only the developed nations but also the less developed.

The ability to maintain our commitment to development abroad and to economic growth at home will depend on the degree of mutual trust and understanding we build in the future. In partnership with the government, the U.S. private investor can play a vital role in creating that kind of relationship with our neighbors throughout the world.

OPIC stands in a unique position to make that partnership effective. With programs already having operated successfully for over 10 years, OPIC has now adopted new systems and approaches and has developed a highly professional organization equipped to meet the challenges of the future. New legislation to make it more responsive to the realities of the international marketplace will have a significant effect on both the developing world and the U.S. economy.

J. Bruce Llewellyn
President and Chief Executive Officer
Overseas Private Investment Corporation

January 19, 1981

THE WORLD OF OPIC

This section of the report depicts a number of OPIC-supported projects in different geographic regions. The enterprises selected give some indication of the broad sectoral scope of OPIC-assisted investment in the countries of the developing world. The investments range from very small enterprises to those involving some of the nation's larger corporations, but all have a number of characteristics in common:

- They provide jobs and encourage economic growth and development in the host countries. They transfer modern management, industrial and technological skills and knowledge, generate capital, and further the development process in the countries involved;
- They open new markets for U.S. exports and help to strengthen our own domestic economy;
- They dramatize the dynamism of the free enterprise system, and, by serving as good neighbors in their communities, help to improve the image of this country abroad.

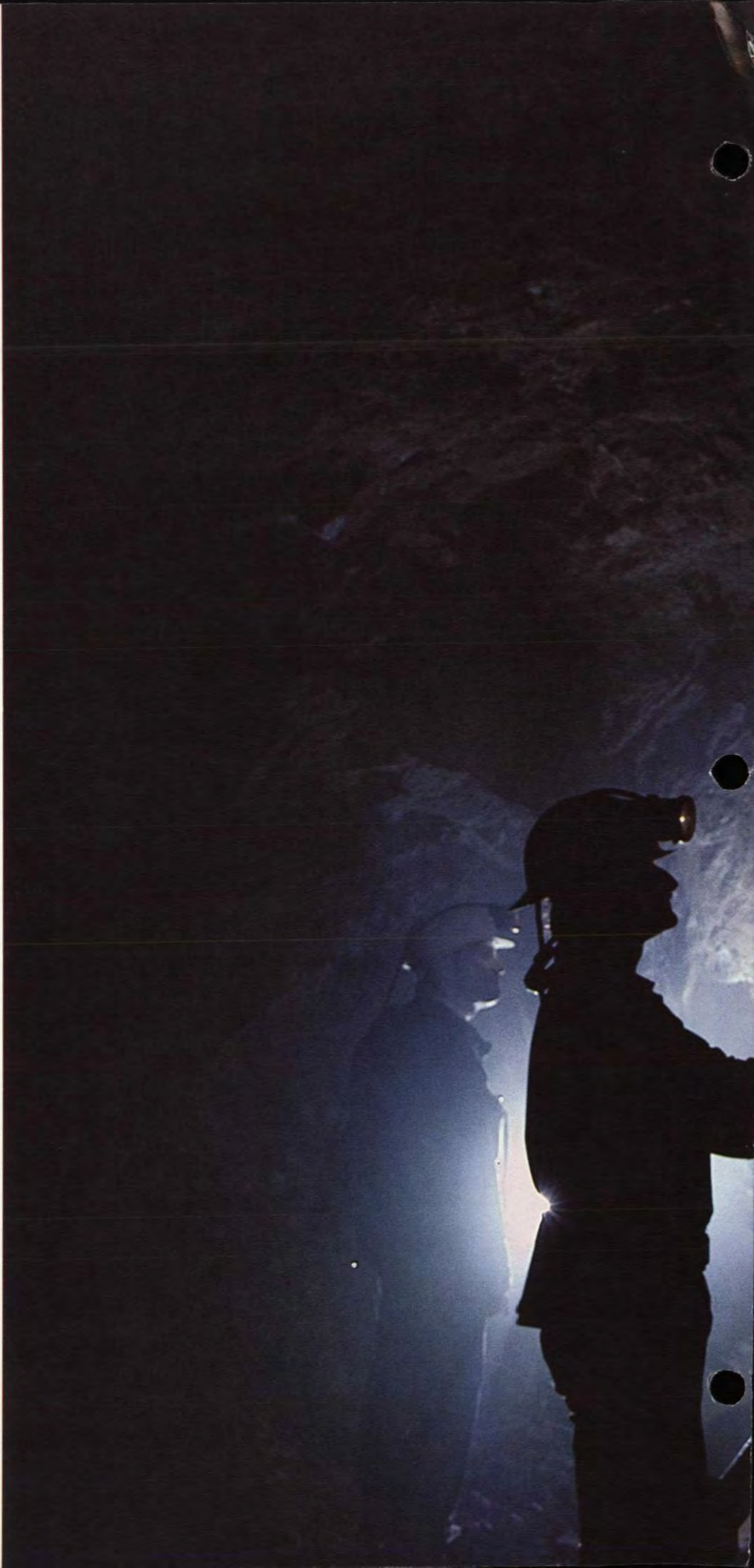
The slowdown in rapid rates of growth in the countries of the developing world, the increasing complexity of their societies, and their expanded needs due to rapid population growth demand novel and more imaginative approaches to the problem of development. It is clear that official government assistance can no longer meet these mounting needs. Foreign direct investment has become an attractive alternative, and consequently the developing nations are increasing their efforts to attract enterprises that will strengthen their economies and provide new opportunities for their people.

For the U.S. business community this offers both a challenge and an opportunity: a challenge, because this country's future growth depends to a large extent on how successfully we can compete in these emerging markets; and an opportunity to advance U.S. economic interests abroad significantly and to demonstrate the effectiveness of the free-enterprise system in achieving national development goals.


ALMEDA STAR

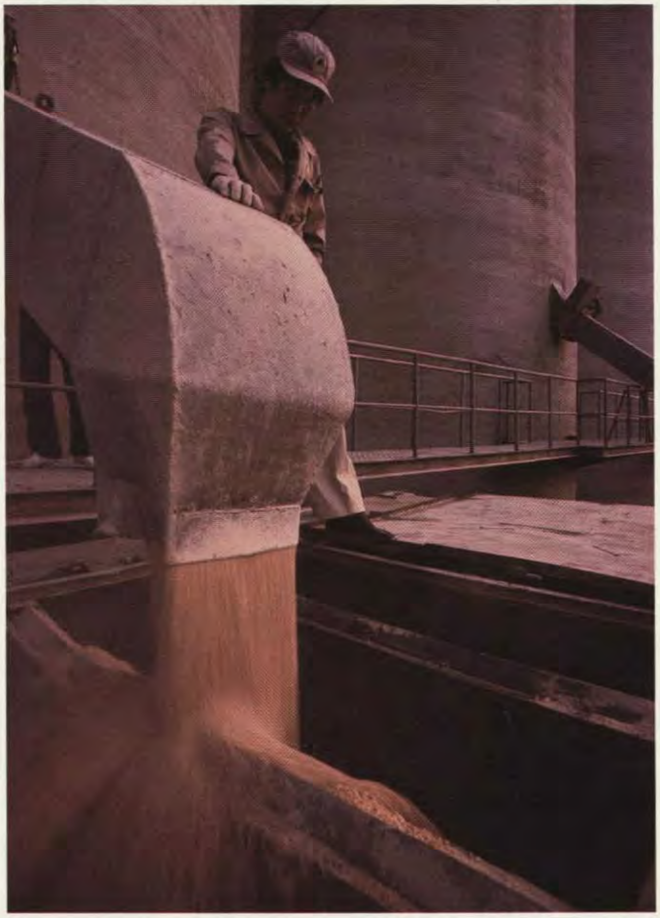
Dresser Industries of Dallas, Texas is one of the world's leading suppliers of drilling equipment and materials for the petroleum and mining industries. On the Greek Island of Mykonos, the Dresser barite mining operation is a mainstay of the local economy, providing jobs for more than 200 employees. Barite and bentonite are important components of "drilling mud," a vital ingredient in oil exploration and production. Output from the Mykonos mine is shipped to many countries in the Middle East and throughout the world. The company also operates a bentonite mine on Milos, another of the Greek islands. Both projects provide vital resources needed for the development of new energy sources.

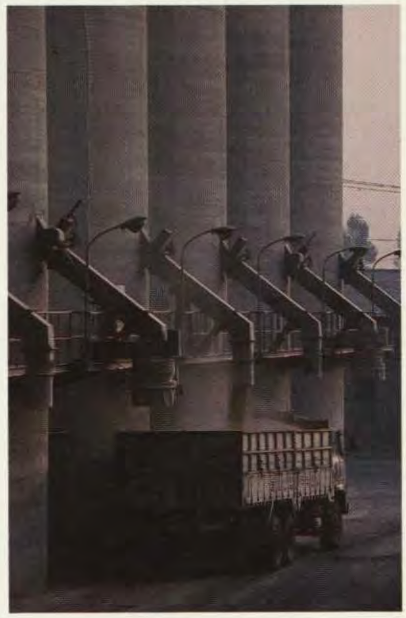
The company funds a number of scholarships and has supported a wide range of community projects, such as the construction of a fresh water system, a meteorological station and several roads.

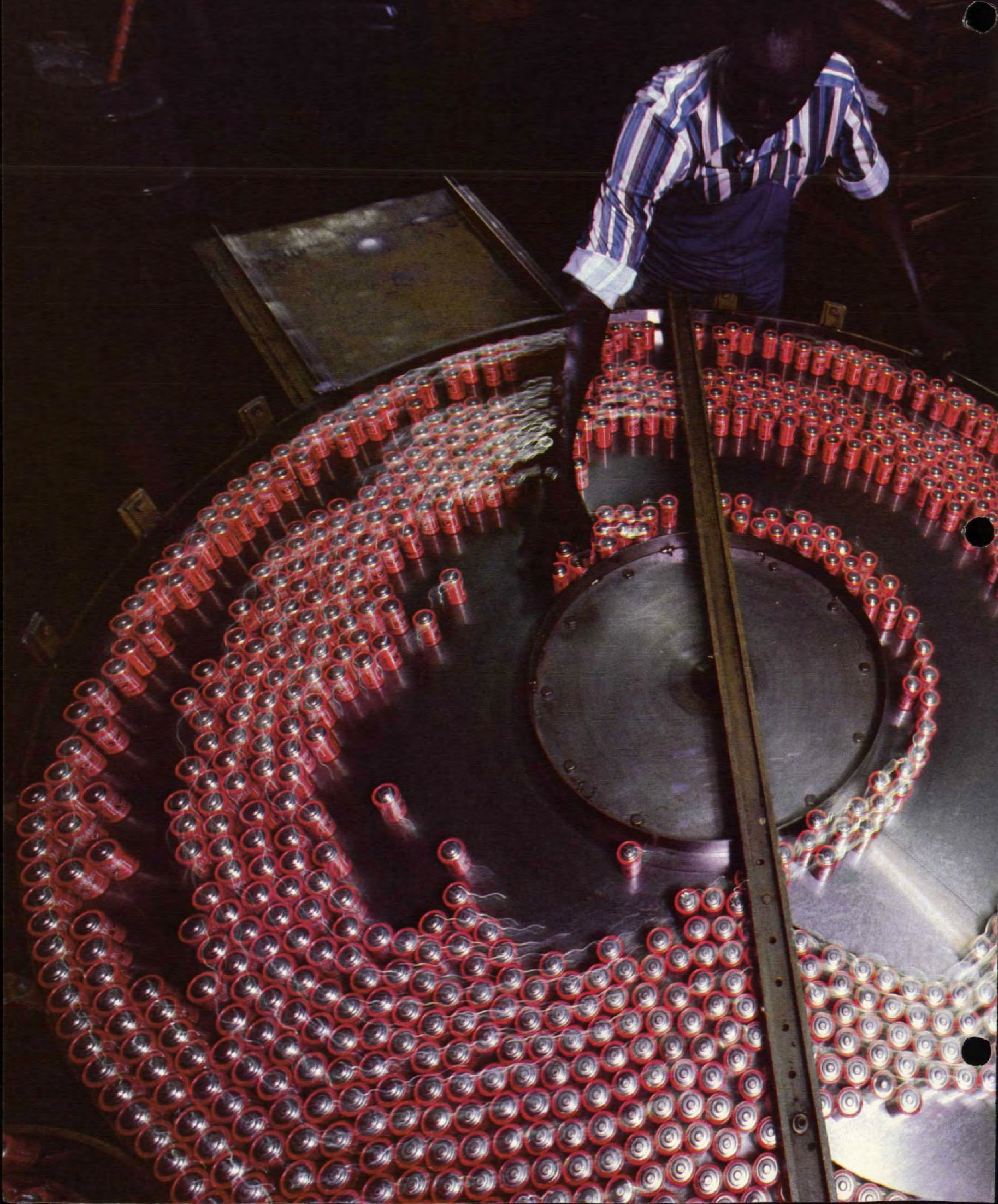


Food production to meet increasing needs is perhaps the world's most immediate problem, but production alone is not the answer. Without efficient storage, handling and distribution facilities millions will still go hungry. During the past decade, growth of the Korean economy has generated higher disposable incomes and increased consumption of meat, eggs and dairy products. Korean imports of U.S. grain have nearly doubled over the past four years. This project, which established modern storage facilities for quality grains and feedstuffs in Korea, represents a major step toward increasing supplies for local consumption and reducing retail food costs. It is sponsored by Pacific International Rice Mills, Inc., of Seattle, Washington, and the Tarkan Sugar Industrial Company, Ltd., and provides a storage capacity of 2.6 million metric tons a year, employs 300 Koreans, and pays more than $1 million in taxes annually. Elimination of open grain storage has materially reduced losses caused by rodents and spoilage.

Over a five-year period, U.S. procurement will amount to some $5 million and annual U.S. exports of machinery and spare parts to more than $250,000. Over the same period, net return financial flows to the U.S. are projected at $15 million.

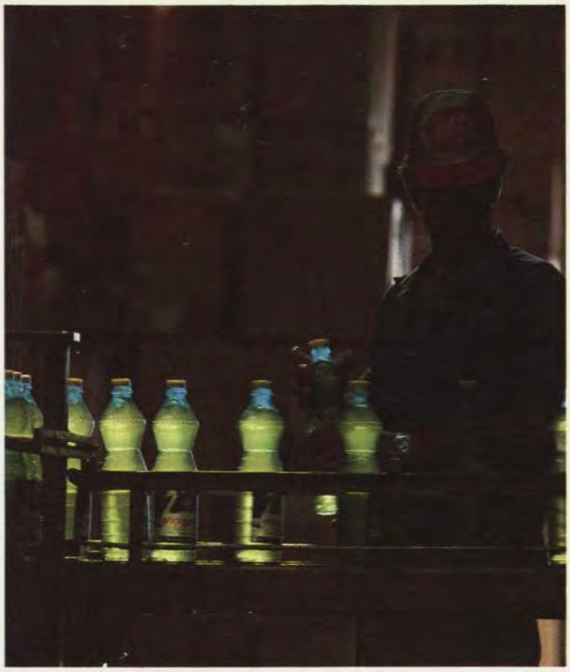






A joint venture project for the manufacture and distribution of dry cell batteries has played a unique role in the development of Sudan since 1976. The Union Carbide Corporation recognized that the lack of electrification and the need for communication in Africa's largest nation represented both a challenge and an opportunity. Today, the company's products are widely used to power lighting, radios and various communications devices for the transmission of news and information to the largely rural population. Since the project began operation, the company has maintained a comprehensive training program for employees at all levels. More than 95 percent of the work force are Sudanese nationals.

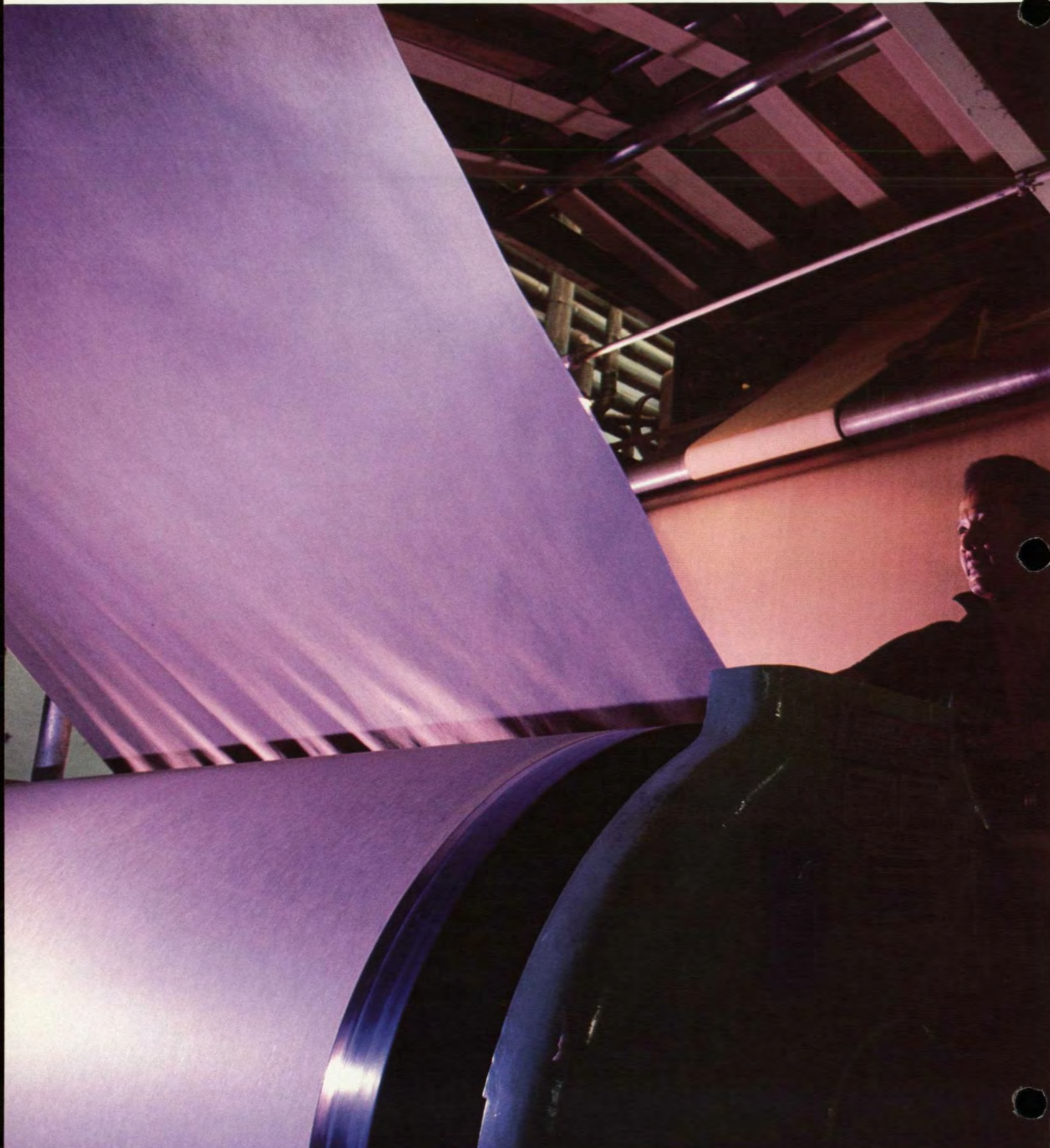
Building an efficient nationwide transportation system is a basic requirement for any developing country, and this often means heavy reliance on trucks, buses and passenger vehicles. However, road conditions are generally poor and tires have a short life. In answer to this challenge, in 1969 the Firestone Tire and Rubber Company of Akron, Ohio, made a major investment in an integrated manufacturing plant and a distribution and marketing organization in Kenya. The Firestone plant employs more than 200 Kenyans and additional personnel have been trained to operate the distribution system.

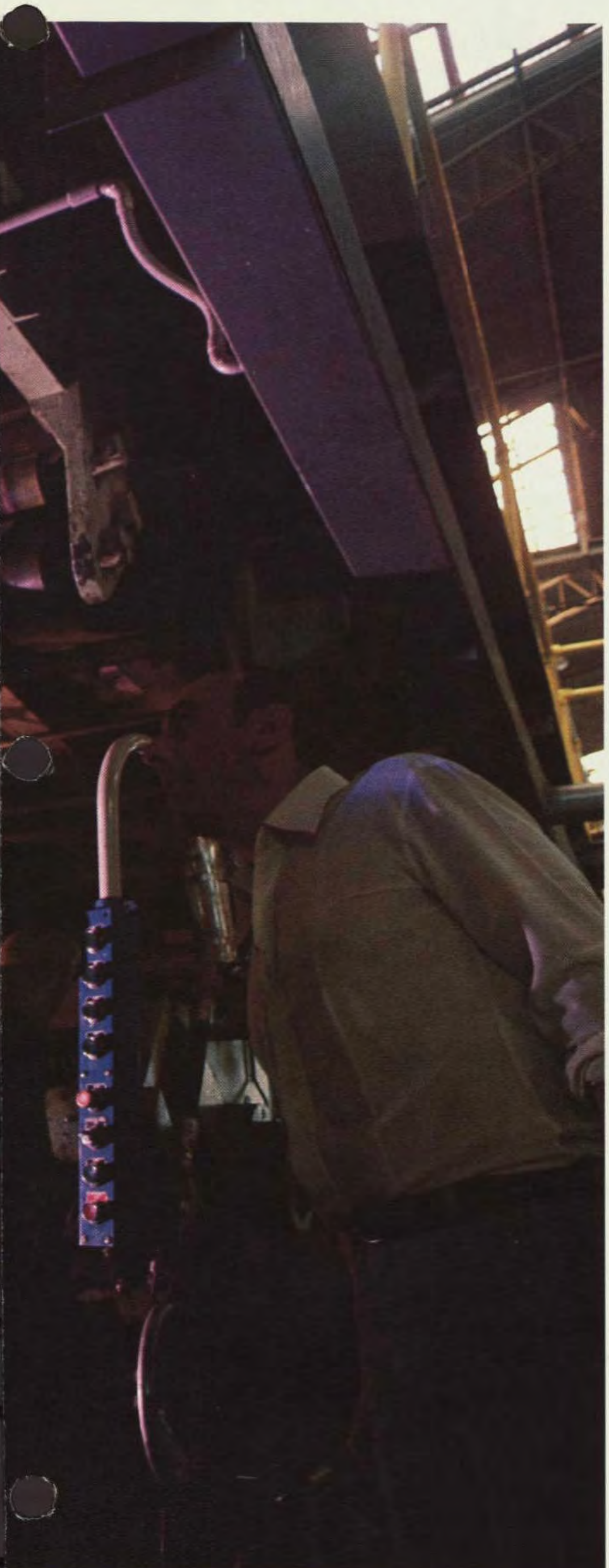


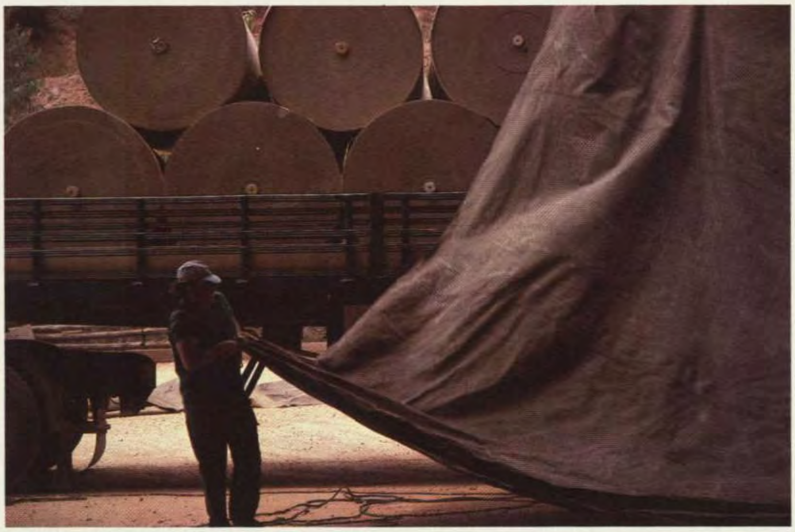
The Commercial Credit Corporation of Baltimore, Maryland, long ago recognized the promise of foreign investment, and its investment of some $5 million in a financing and leasing project in Israel is making a substantial contribution to the development of many sectors of that country's economy. COMCO serves a number of kibbutz operations by purchasing and leasing U.S. machinery to meet specific customer requests. The procurement leasing system has helped small Israeli businesses to expand their operations, increase employment and achieve higher levels of self-sufficiency.

Witco Chemical Corporation's plant in Haifa manufactures a line of household products including detergent and related items that were formerly imported. Most of the plant equipment and an increasing volume of materials is purchased from U.S. sources.

By providing on-site maintenance, repair and spare parts facilities for a broad line of U.S.-manufactured equipment and increasing Saudi Arabia's familiarity with U.S. products, Mideast Engineering is expanding an important foreign market for U.S.-made heavy equipment and electrical supplies. Mideast Engineering, partially owned and supported technically by the General Electric Company, provides much-needed maintenance and repair services as well as technical and mechanical training and instruction. This OPIC-insured project also involves light manufacturing and equipment modification for various types of machinery.







Olinkraft/Brazil, an affiliate of Manville Forest Products of West Monroe, Louisiana, is located in Jundiai. The plant, established in 1972 and expanded in 1976, manufactures pulp, paperboard and a variety of related paper products using local timber sources. The 1976 expansion created 250 new jobs to implement a reforestation program to protect Brazil's timber resources. Most of the project's production machinery was manufactured by a Maryland company. Employees receive special job training at all levels, are protected by comprehensive medical and health programs, and enjoy a wide range of recreational facilities.


BANCO DE BOSTON
THE FIRST NATIONAL BANK OF BOSTON

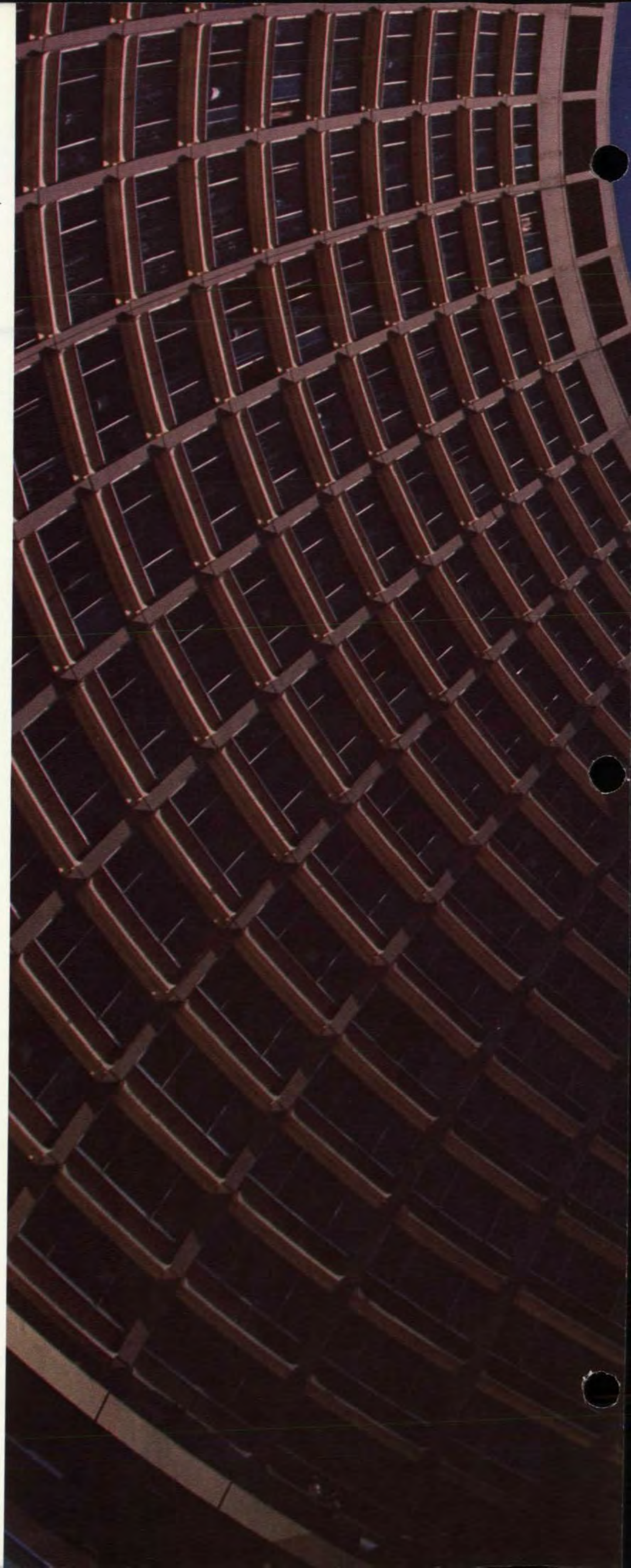
U.S. banks play an important role in encouraging and financing development through the establishment of overseas facilities providing a full range of services, many of which are not offered by host country banks. In many cases, these countries are not equipped to provide long-term or foreign exchange financing, both of which are essential to continuing development. Overseas expansion of U.S. banks can play a key role in solving these and other problems, while also serving the needs of U.S. exporters as well as companies overseas.

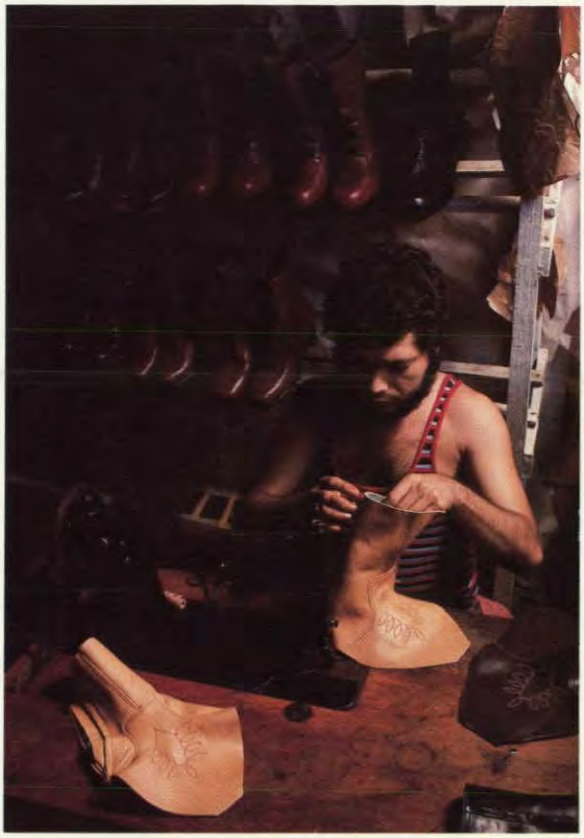
In 1978, OPIC insured a loan of $50 million made by the First National Bank of Boston to its Brasilia branch. The funds were allocated for re-lending to projects in the less developed sections of the country.

One such project, Brasileira de Antibioticos, is located in Tangua, a poor area some 45 miles from Rio de Janeiro. A $5 million Banco de Boston loan covered equipment and engineering costs for establishing a facility to produce antibiotics. The company employs more than 400 people, including local residents, and provides training for specialists and students from other sections of the country.

The project helps to guarantee a continuing supply of antibiotics for use in public health programs and to maintain a program for distribution of low-cost drug products to low income families.

Historically, developing nations have found that the establishment of modern hotel accommodations and services plays an important role in the realization of their developmental goals. Well-managed facilities of this type not only help to build tourism and to create employment, but also help attract international businesses to the host country. Tourism also produces "ripple" effects by stimulating local handicraft and service industries. Typical of a successful facility is Western International's Chosun Hotel in the Korean capital of Seoul whose standards of excellence and style offer special attraction to the international traveler. The hotel employs more than 350 Koreans, all of whom are trained in various techniques of hotel operation including restaurant management and food preparation.





Through a system of loans and grants to the Institute for International Development, Inc., of Vienna, Virginia, a private voluntary organization which helps local entrepreneurs to establish small business projects, OPIC has broadened the scope of its developmental impact by channeling capital to support small indigenous businesses. The first loan/grant was made to IIDI in 1978. Since then, IIDI has provided assistance to more than 50 projects in Kenya, Honduras, Colombia and Indonesia. The OPIC funds are utilized by IIDI in combination with grants from other organizations and IIDI's own funds.

Typical of the projects supported are three in Honduras which have enabled individuals to establish enterprises geared to meet specific local needs.

The purchase of two printing presses and supplies started Antonio Guardado of El Progresso in a job printing operation which serves a market area of almost 50,000 people on the outskirts of San Pedro Sula.

A loan of $4,000 enabled Ramon Trochez to open a small custom footwear shop which now employs three people.

Hugo Gonzalez secured $7,500 to buy machines for making soft ice cream and opened a shop in San Pedro Sula. Now he employs three people and plans to buy another machine. Satisfied customers include a healthy percentage of younger consumers who understandably have increased their consumption of milk products.


Coca-Cola

Timber is a renewable resource found in many developing nations, and with planned management it can represent a valuable and permanent asset. Several years ago, Felix Mathenge, a government official in Kenya, and his brother, Christopher Njeru, began a modest timber cutting and saw mill operation some 100 miles northwest of Nairobi. However, it was evident that without better equipment the project could not achieve any degree of success, and the brothers began a search for financing that eventually led to the U.S. They found the needed capital through the Institute for International Development, Inc., which arranged for a combined financing package of $20,000. These funds were provided from the resources of IIDI: contributions from private participants and a combined loan/grant from OPIC. The brothers acquired new machinery, including a power saw, tractors, and other equipment, and enlarged the work force from six to more than 30 employees. Production is used primarily for building forms for commercial construction, while a smaller portion of high grade lumber is allocated to furniture manufacture. Timber is harvested on a selective basis and a long-range planting program will insure supplies for the future.


GRAND
MACK

Growth in the developing nations increases the need for modern transportation, construction, and other types of machinery and equipment, thereby creating new markets for U.S. manufactured products. The establishment of maintenance facilities and the training of mechanics therefore grow more important and distributorship projects which combine these elements can contribute significantly to development.

Marion T. Munson, a native of Illinois with many years of experience in the trucking business, is contributing his technical knowledge and business expertise to the development process through the establishment of a full-line distributorship for Mack trucks in San Pedro Sula, Honduras. As the country's industry and agriculture have developed and diversified, the need for equipment, maintenance and parts replacement has increased, and Munson now has a thriving business including reconditioning trucks and equipment leasing. With the help of a $600,000 loan from OPIC, he is expanding his facilities and subsequently will add 19 more employees, all of whom will be trained in mechanical maintenance and repair techniques. The project also will strengthen the position of the Mack Truck Company in a growing market.

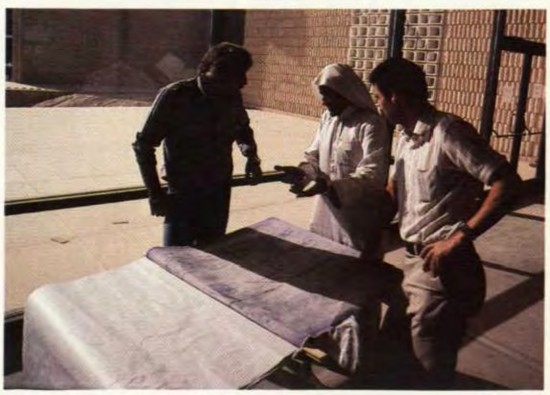
U.S.-manufactured trucks and heavy equipment are in demand throughout the world as the developing countries build for the future.

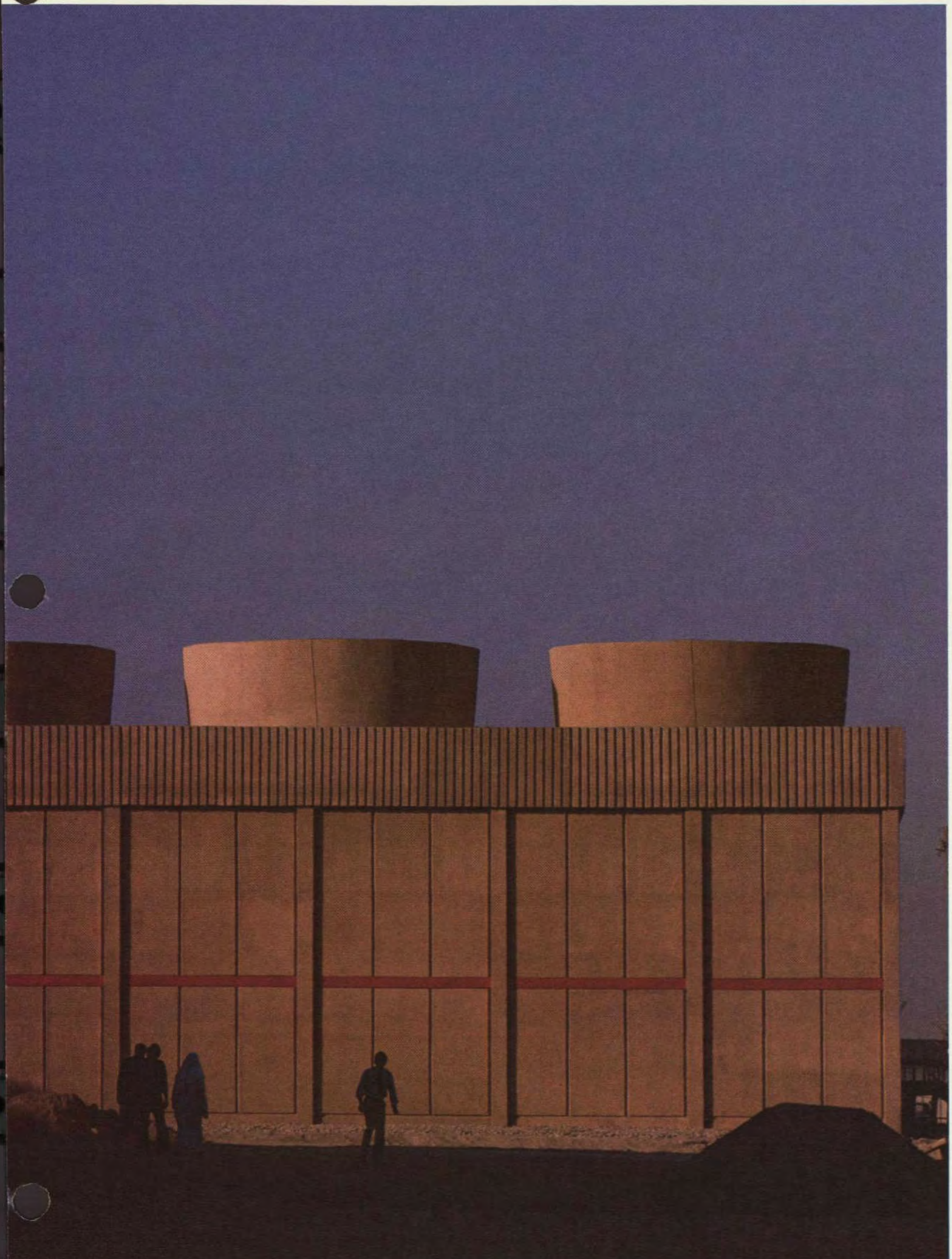
In Brazil, Envirotech of Menlo Park, California, has established manufacturing facilities for the production of air and water pollution control devices and specialized equipment needed for the chemical, pulp, mining, cement, fertilizer and petrochemical industries. The project directly employs more than 250 Brazilians, many of whom receive managerial and technical training, and indirectly supports hundreds of other jobs by its purchases of locally-produced metal products and raw materials. Envirotech is providing the technology for the Brazilian machinery as well as exporting key components and other machinery to Brazil from its U.S. plants.

Accelerated development has triggered a building boom in Trinidad & Tobago and along with it, a huge increase in demand for concrete. Madison Madison International of Cleveland, Ohio, an architectural, engineering and management firm, was called in by the government to help overcome this supply problem. With the help of an OPIC feasibility study and a $300,000 OPIC loan, the first concrete batching plant was built in Tobago and essential equipment acquired. Local investors were offered participation in the project through a stock offering which was quickly oversubscribed, and first-year production estimates were doubled before the plant began operation.

Above, Julian Madison, executive vice president of the Cleveland company, addresses an OPIC-sponsored small business seminar on overseas investment.

As nations achieve higher levels of economic maturity, their need for construction of modern facilities multiplies accordingly. International competition for these building contracts is intense because the construction of such projects has a direct positive effect on the economy of the contractor's country through the creation of new jobs and the generation of exports. To compete effectively, U.S. contractors must have support comparable to that offered by other industrialized nations. The Pepper Construction Company of Chicago, Illinois, recently completed a modern gamma radiation facility at the King Faisal Hospital complex in Riyadh, Saudi Arabia. The facility will be a key factor in providing advanced standards of health care, including cancer treatment. In addition, the center will include new facilities for training medical personnel from all parts of the country in the use of sophisticated medical equipment and technologies. Pepper's engineering teams worked closely with Saudi project managers in planning and scheduling construction. A number of U.S. equipment manufacturers received important subcontracts to manufacture and install the radiation and other equipment in the center.





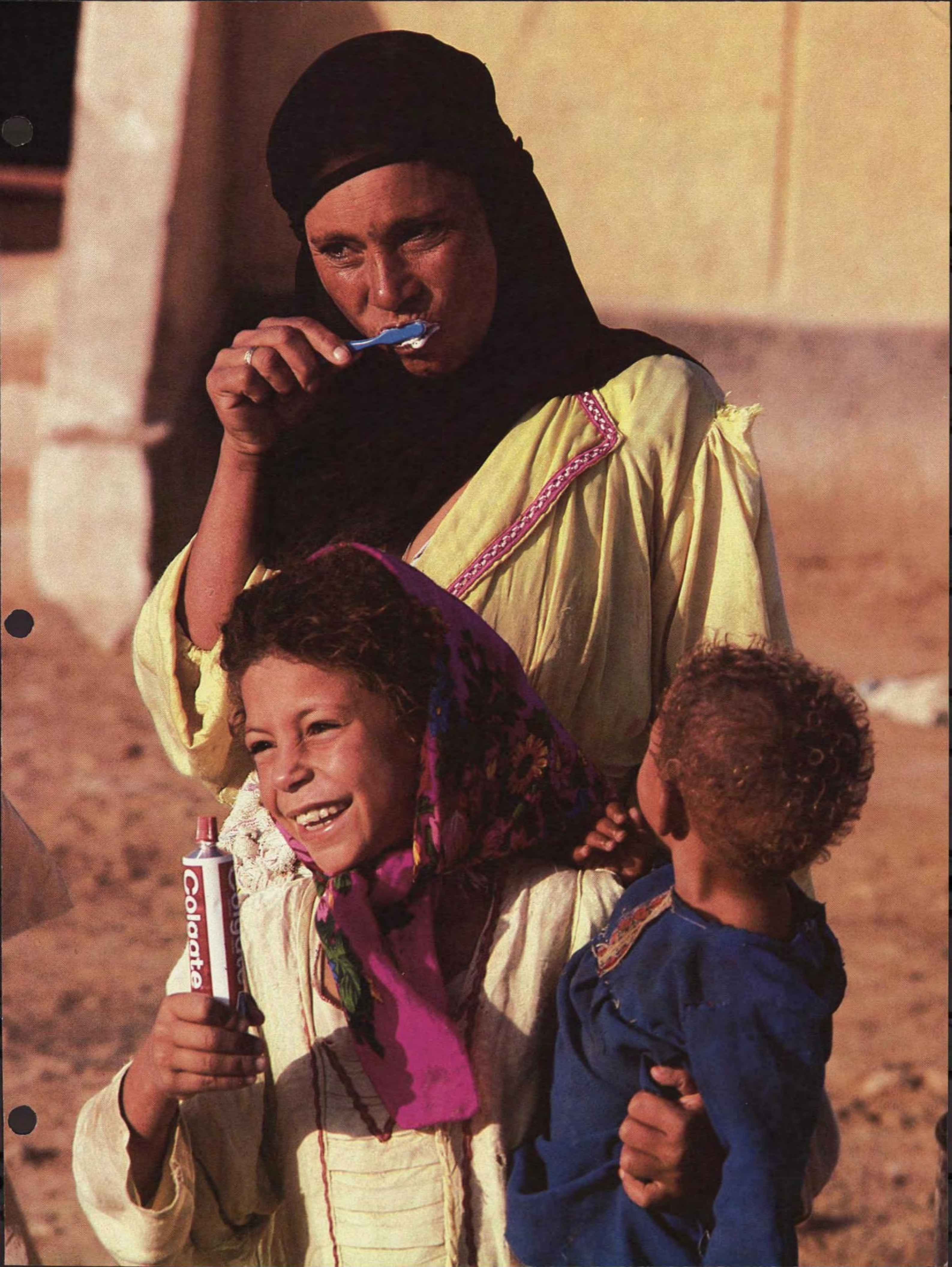
Near the Greek city of Kavalla on the North Aegean Sea, a new offshore source of petroleum, natural gas and sulphur has reached significant production levels, and operations are expanding steadily. The project was carried out by a consortium of U.S. (Fluor Corporation, Denver, Colorado), German, British and Greek investors under a production-sharing agreement with the Greek Government. Eventually, production is expected to reach an estimated eight million barrels of oil and two billion cubic feet of natural gas a year. More than 100 Greeks are employed in the offshore drilling and onshore processing operations, for much of the oil is refined at a nearby Greek installation. This OPIC-insured project not only supports our national policy of encouraging increased and diversified energy exploration and production, but also provides direct financial benefits to the U.S. Over a five-year period the project will account for more than $75 million of initial U.S. procurement, generate capital returns of $18 million to this country, and create 1,500 additional man-years of U.S. employment.

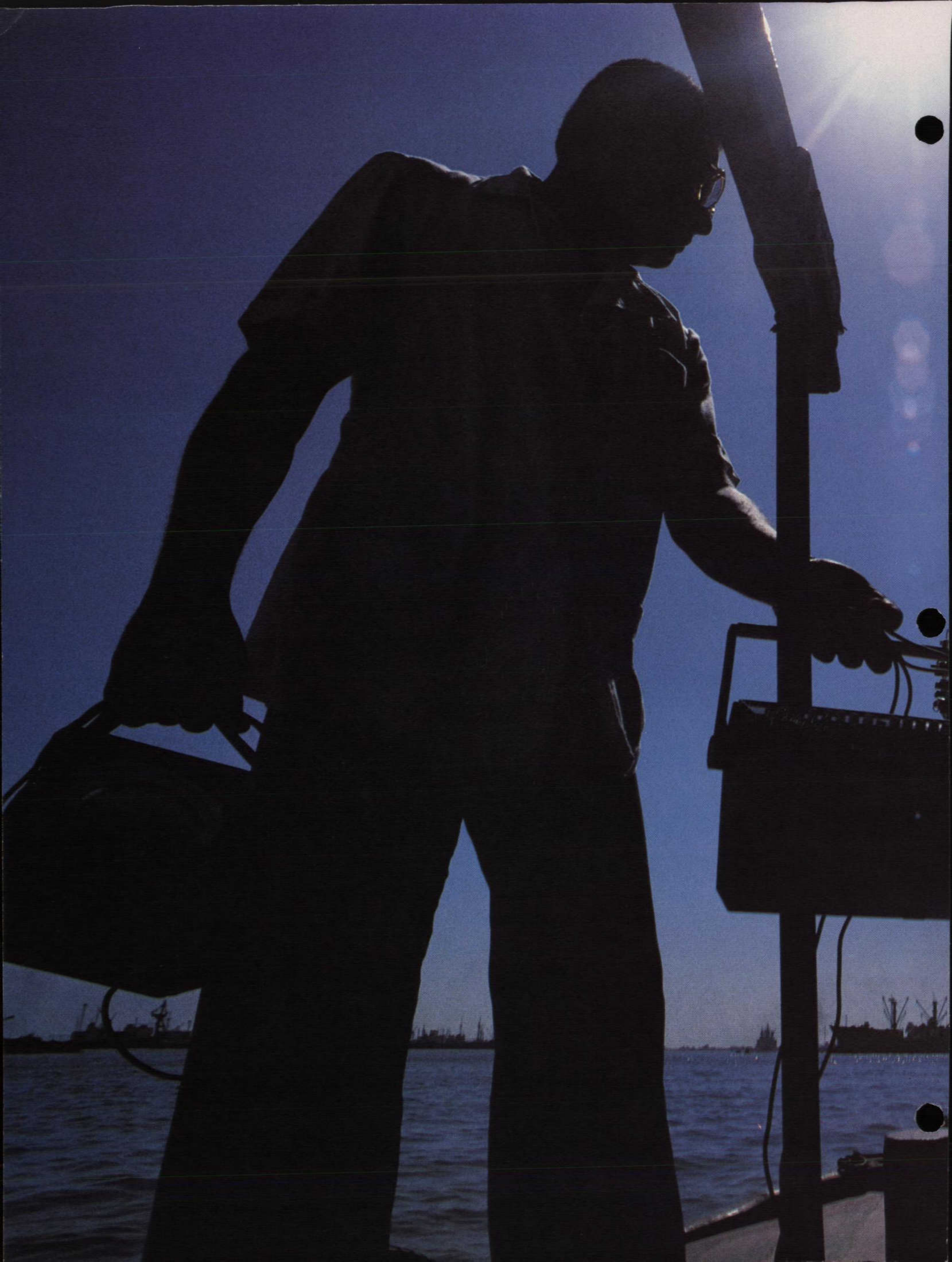
Recovery and recycling of key metals has been introduced to the Egyptian economy by a Philadelphia company which has perfected a number of efficient techniques at its installations in the United States and at other overseas projects. This important technology has been introduced by IMS Lycrete Egypt, Ltd., which recovers valuable metals from steel mill slag and other scrap sources, thus reducing the need for imports. The project is also helping to solve a serious environmental problem by eliminating hazardous wastes and restoring land previously used as dumping grounds for such wastes.

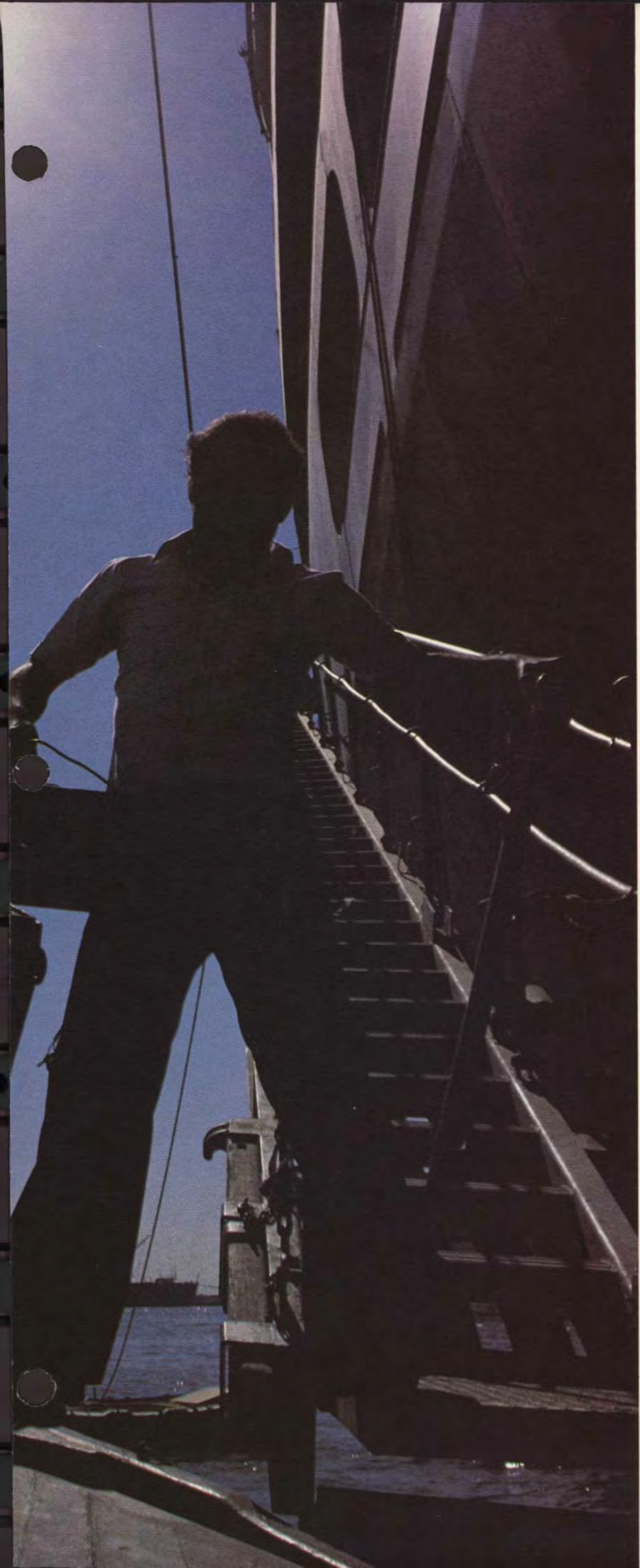
Technical training programs inaugurated by the Xerox Corporation in Cairo are providing training to more than 200 local technicians to improve communications and business support services in Egypt's capital and other cities in the country. Support needs of the project have opened new market potential for local suppliers, thus spreading the economic impact to other areas of the business community.

More than 670,000 metric tons of U.S. grain are handled annually at the Marine Shipping Corporation's off-loading facility in Port Said. Bulk cargo from seagoing vessels is transferred to a stationary ship at dockside, packaged and stored in a warehouse for pickup and distribution. The project, operated under contract with the Egyptian Government, has expedited the handling process, cut down on spoilage and reduced demurrage costs for shippers.

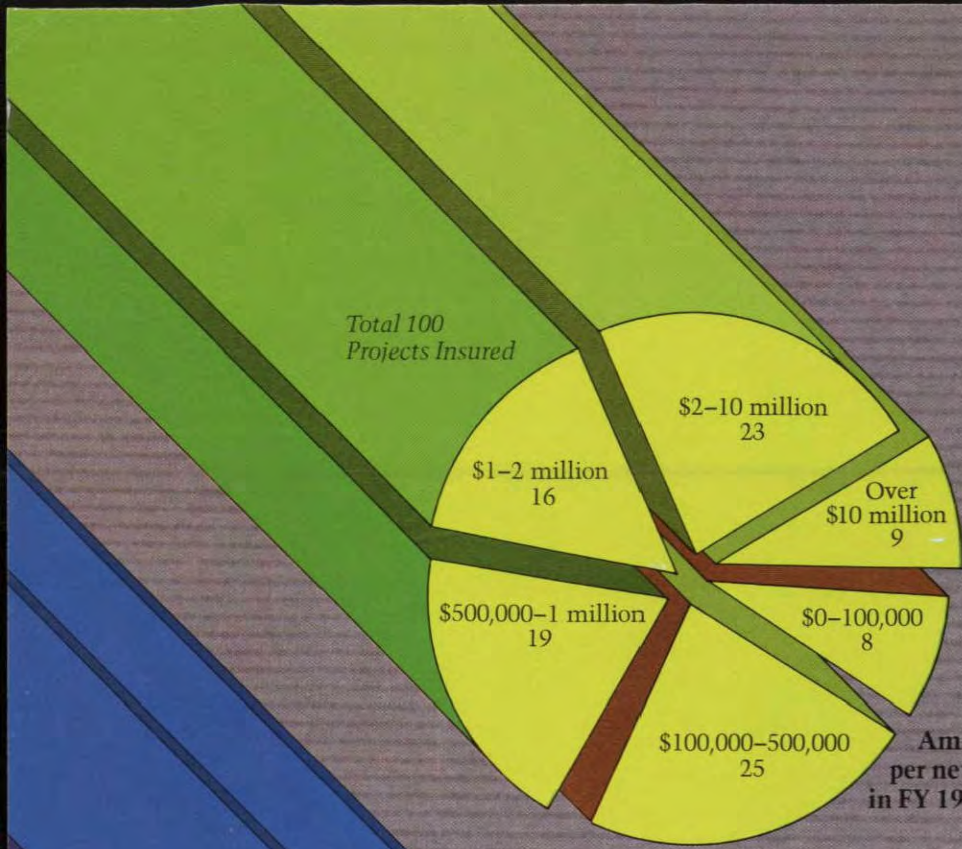
A variety of hospital, pharmaceutical supplies, soaps, and hygiene products are manufactured at the Colgate-Palmolive project in Alexandria, Egypt. The project has provided direct jobs for more than 100 Egyptian nationals, many of whom receive special training in basic management and technical procedures. In addition, Colgate is sponsoring special educational visits to local schools to teach children about modern hygiene and the prevention of common diseases and tooth decay. Various materials and support services are purchased from local suppliers and the enterprise is expected to generate net annual foreign exchange savings of nearly $1 million.


Colgate

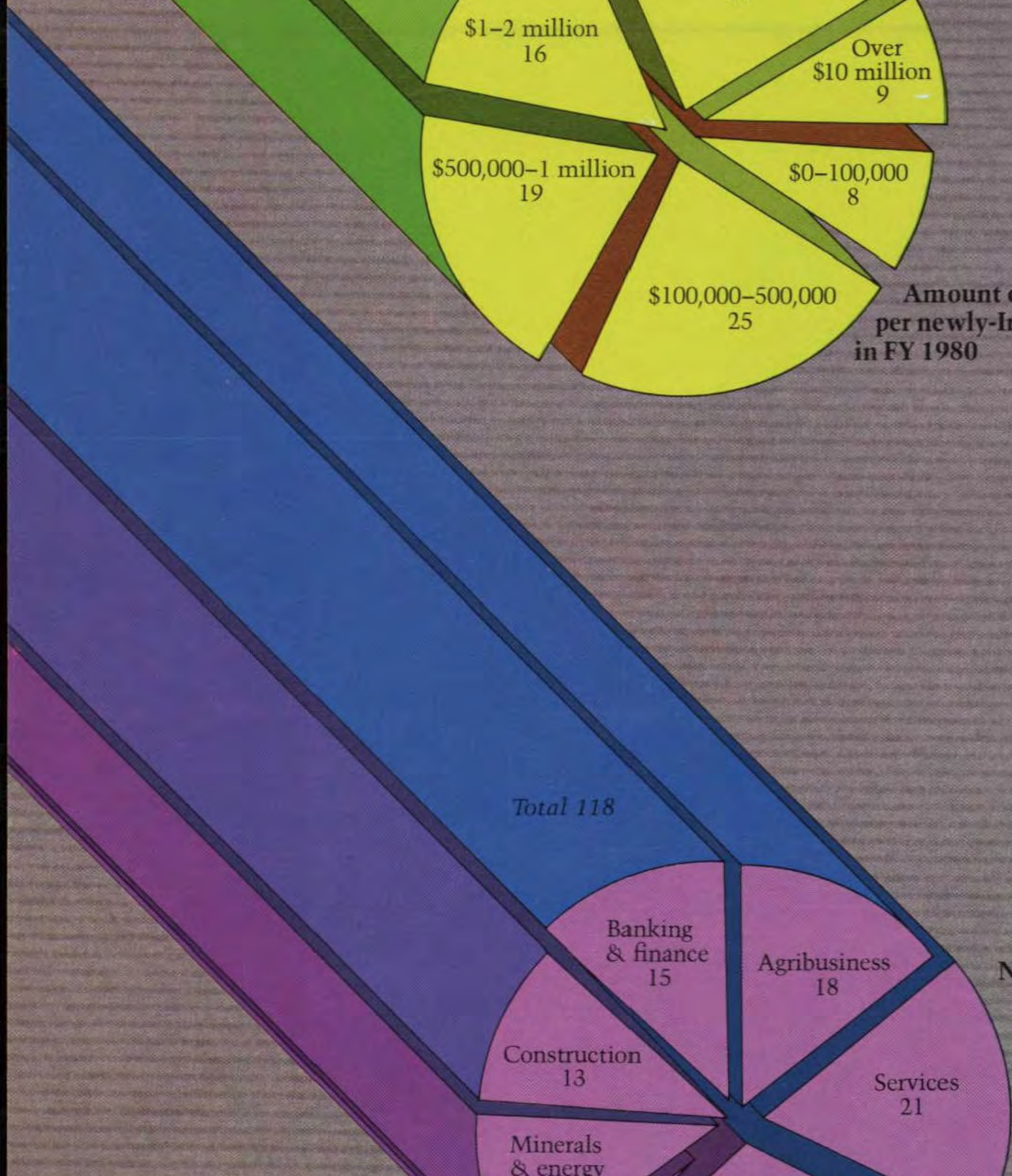




As one of the world's most important waterways, the 110-year-old Suez Canal handles an average of more than 200 ships a day and generates foreign exchange revenues of nearly $1 billion annually for Egypt. The Canal also provides the basis for one of Egypt's newest service industries. The world's shipping industry is dependent upon complex navigational and communications equipment, all of which require periodic comprehensive checks and maintenance. Suez Electronics in Port Said, an affiliate of the International Telephone & Telegraph Corporation, which operates in conjunction with the Suez Canal Authority, provides routine checks, maintenance, repair and replacement for a broad range of electronic equipment as ships pass through the Canal.



Amount of Investment per newly-Insured Project in FY 1980



New Insurance and Finance Projects by Industry in FY 1980

THE WORLD OF OPIC

T O M O R R O W ' S   O P P O R T U N I T Y

Overseas Private
Investment Corporation
1129 20th St. N.W.
Washington, D.C. 20527

The growing potential of the developing nations will offer many and varied opportunities to U.S. businesses interested in entering international markets during the 1980s. To encourage private sector investment in these growing markets, the United States Government offers a number of programs designed to broaden participation and to lessen the unusual risks involved in overseas operation.

Investment Incentives:
The Overseas Private Investment Corporation is a self-sustaining U.S. Government agency which provides investment incentive services to the U.S. business community in the form of political risk insurance and finance services.

- ☐ OPIC sells insurance against inconvertibility of currencies, loss due to expropriation, and damage caused by war, revolution or insurrection.
- ☐ OPIC lends capital or insures or guarantees loans by U.S. lenders.
- ☐ OPIC provides funds for feasibility studies on a cost-sharing basis.
- ☐ OPIC conducts investment missions and by other means assists U.S. companies to identify investment opportunities and obtain up-to-date information on the investment climate in the over 90 developing nations.
- ☐ OPIC provides detailed literature on its programs and co-sponsors seminars in cities around the country where the business community can learn about overseas investment opportunities and U.S. Government incentive programs.

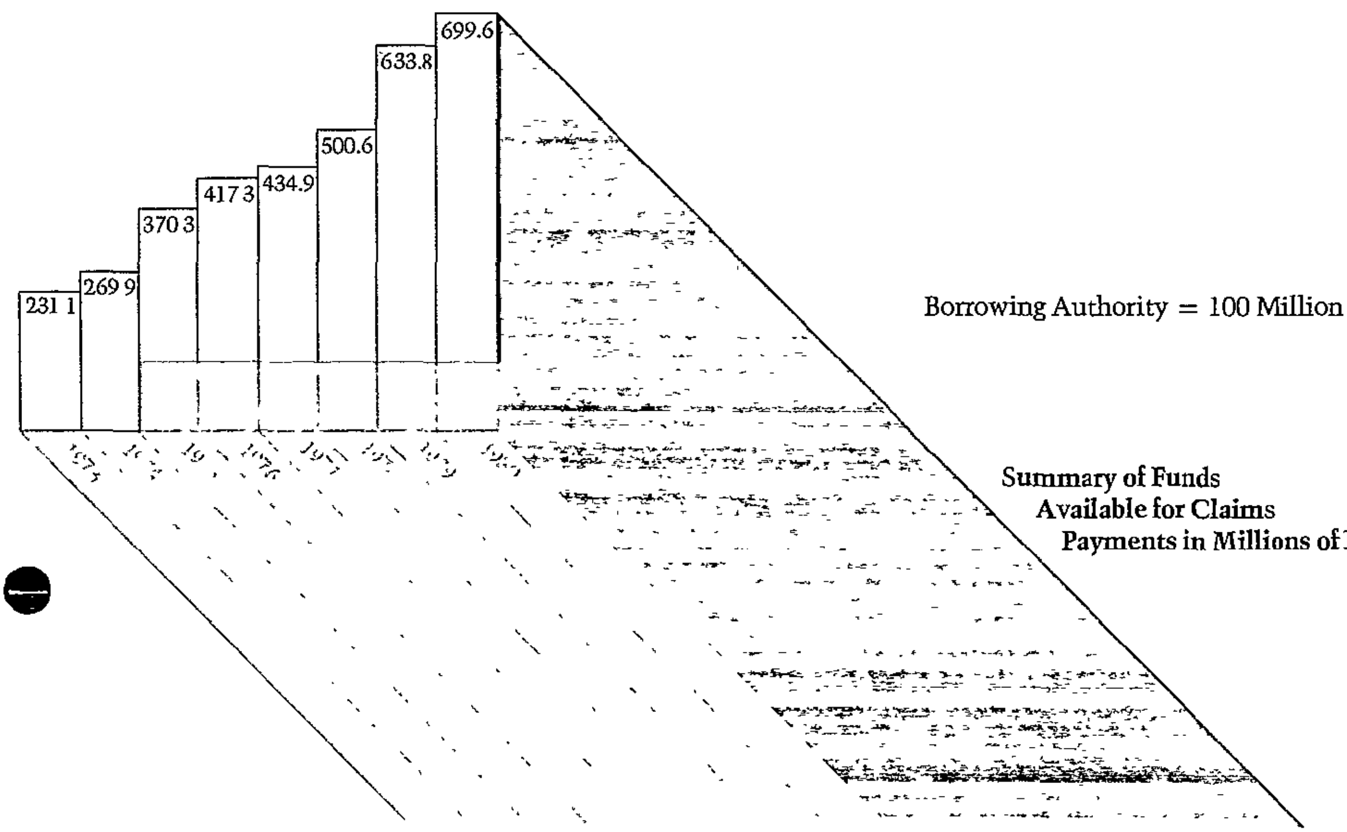
For Further Information:
- ☐ For material on OPIC and its programs fill in and mail the enclosed reply card or write: Office of Public and Congressional Affairs, OPIC, 1129 20th Street, N.W., Washington, D.C. 20527.
- ☐ For answers to specific questions on OPIC programs, for details on special OPIC programs for smaller businesses, and for the dates of future investment seminars and missions, call on OPIC's toll-free "HotLine" 1-800-424-6742.

Financial Position

Gross revenues for the fiscal year ended September 30, 1980 reached a record high of $76.1 million, an increase of $8.4 million or 12.4 percent over fiscal 1979. Net income after operating expenses was $65.8 million, up $7.8 million from the previous high of $58 million recorded for 1979.

Revenues from insurance premiums were $31.3 million, up slightly from the previous year, and income from the finance program rose to $3.6 million. Income from investments in U.S. Government obligations and claims recoveries amounted to $46 million, an increase of 20.3 percent from fiscal 1979. Operating expenses were $10.4 million, including $6.4 million in administrative costs.

At the close of the fiscal year, the Corporation's cash and portfolio of U.S. Government securities amounted to $583 6 million, up 15 percent from the $507.3 million recorded for fiscal 1979. Combined insurance and finance reserves increased to $576.3 million from $518.6 million and retained earnings at year end were $23.3 million. As of September 30, 1980, funds available for claims payments had reached a record level of $699.6 million.



Summary of Funds Available for Claims Payments in Millions of Dollars

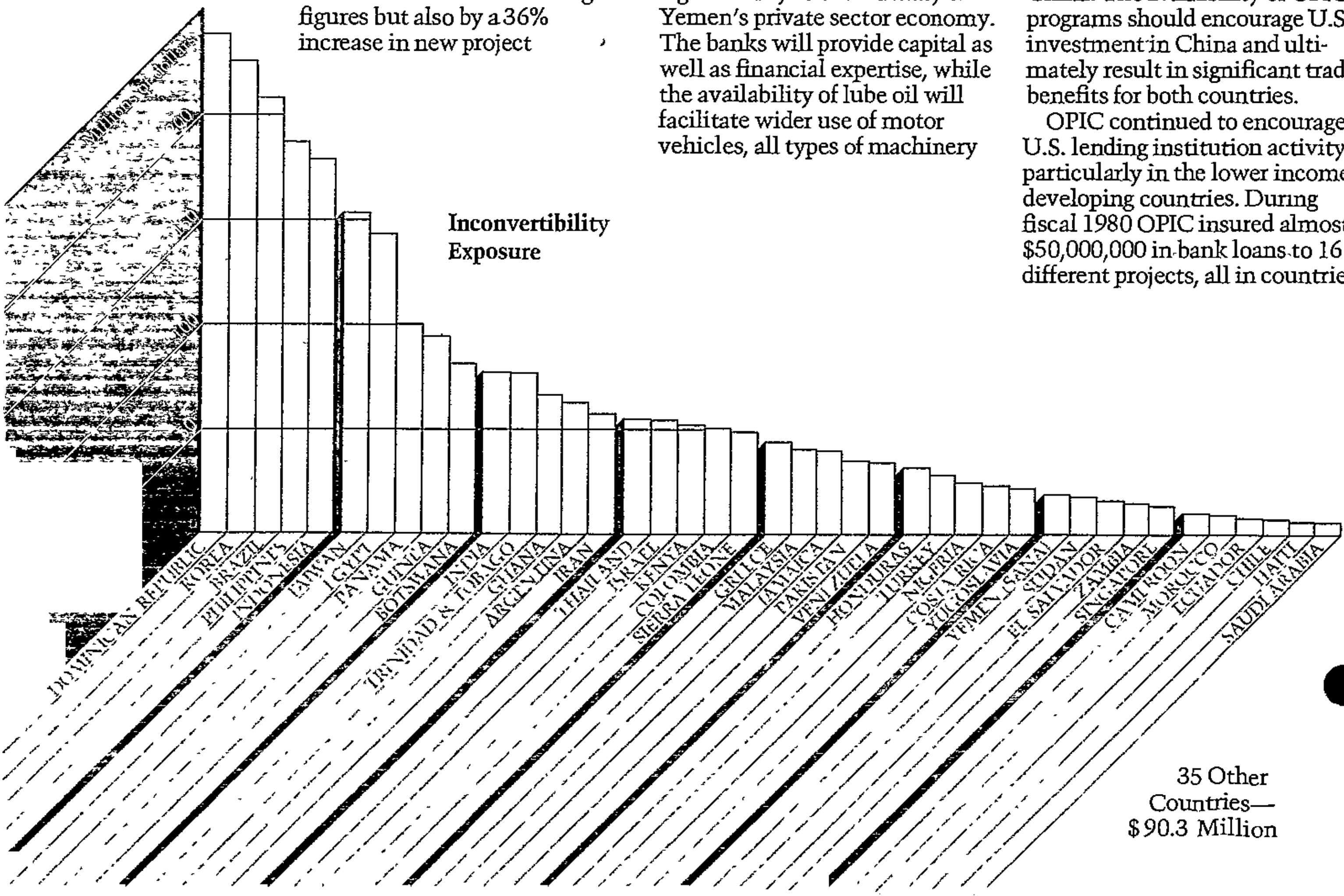
By all measurements fiscal year 1980 was an outstanding one for OPIC's insurance programs. Coverages totalling more than $1.1 billion were written for investments in 100 projects, resulting in respective increases of more than 37% and 45% over the comparable figures for fiscal year 1979. Of the total insurance written, $322 million was for inconvertibility, $363 million for expropriation, and $424 million for war, revolution and insurrection. Total investment insured was in excess of $381 million, a 27% increase over fiscal year 1979.

The growth in overall interest in political risk insurance during 1980 was evidenced not only by these increased underwriting figures but also by a 36% increase in new project registrations—474 new projects were registered in 1980 compared to 348 in 1979. In consonance with Congressional directives, the encouragement of investment in the poorer countries of the world was a major objective in 1980. OPIC issued insurance for 100 projects in 36 countries. Seventy-three of these projects were in countries with per capita gross national products of $1,000 or less in 1975 dollars, and 47 of these projects were in the poorest developing countries, i.e., those with per capita gross national products of $520 or less in 1975 dollars.

OPIC issued its first insurance contracts in the Yemen Arab Republic in fiscal year 1980. These covered two branch banks and a lube oil blending plant, each of which will contribute significantly to the viability of Yemen's private sector economy. The banks will provide capital as well as financial expertise, while the availability of lube oil will facilitate wider use of motor vehicles, all types of machinery and equipment for construction, power generation and transportation.

Another milestone was reached in October 1980, when U.S. Ambassador Leonard Woodcock and Vice Minister Zhang Wenjin of the People's Republic of China signed an Investment Incentive Agreement that provides for the operation of OPIC's programs in China, enabling OPIC for the first time to insure and guarantee investments made there by American firms. During the past year more than 85 companies have indicated their interest in obtaining OPIC insurance for potential investments in China. The availability of OPIC programs should encourage U.S. investment in China and ultimately result in significant trade benefits for both countries.

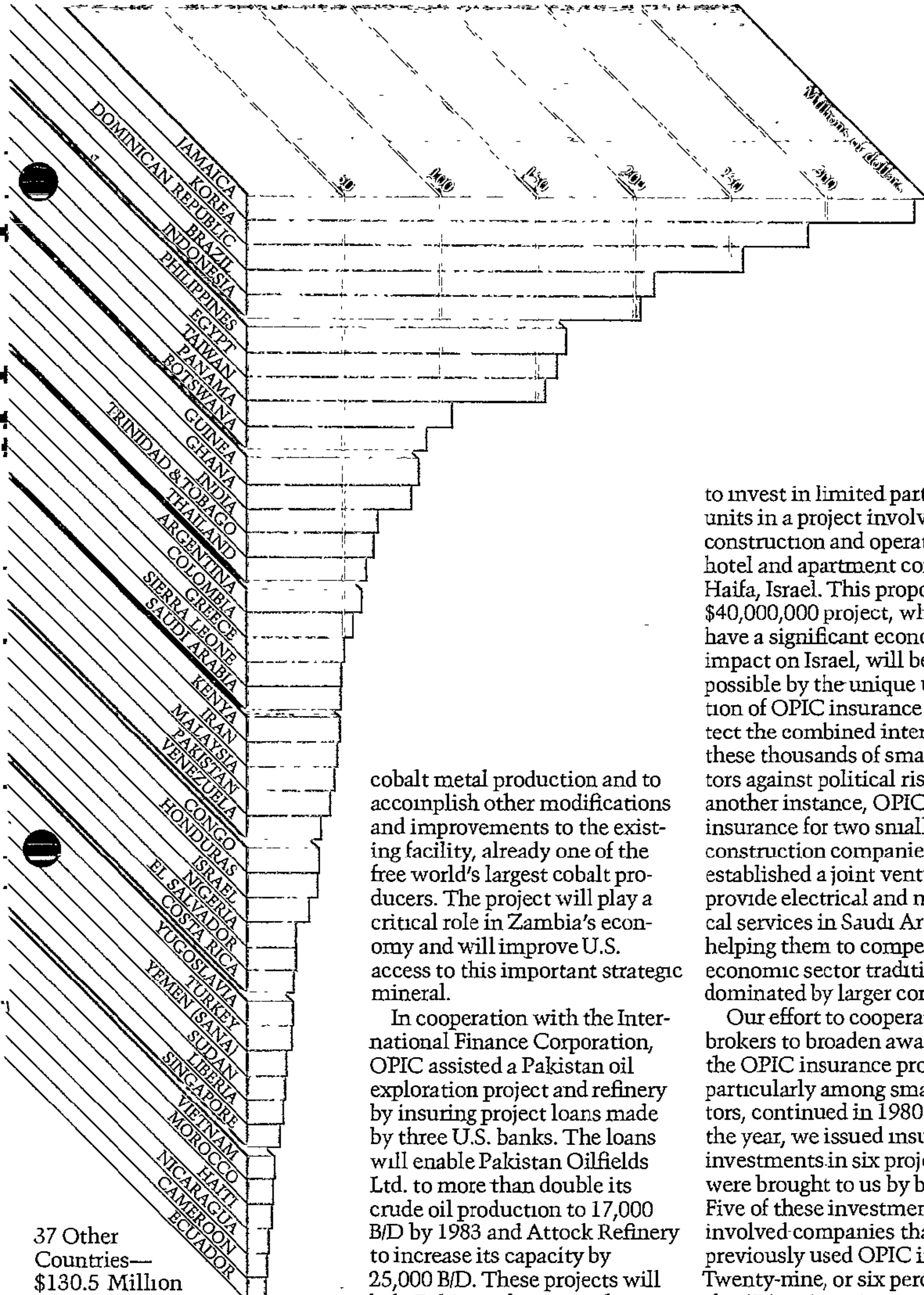
OPIC continued to encourage U.S. lending institution activity, particularly in the lower income developing countries. During fiscal 1980 OPIC insured almost $50,000,000 in bank loans to 16 different projects, all in countries



Inconvertibility Exposure

35 Other Countries—$90.3 Million

Expropriation Exposure



with per capita GNPs of $1,000 or less. Of this total, 12 were in the poorest developing countries.

Two of these OPIC and bank-supported projects involved natural resources. OPIC insured a U.S. bank loan to Zambia's Nchanga mining project. The loan proceeds will be used to install a new roast-leach electrowin plant designed to more than triple the project's cobalt metal production and to accomplish other modifications and improvements to the existing facility, already one of the free world's largest cobalt producers. The project will play a critical role in Zambia's economy and will improve U.S. access to this important strategic mineral.

In cooperation with the International Finance Corporation, OPIC assisted a Pakistan oil exploration project and refinery by insuring project loans made by three U.S. banks. The loans will enable Pakistan Oilfields Ltd. to more than double its crude oil production to 17,000 B/D by 1983 and Attock Refinery to increase its capacity by 25,000 B/D. These projects will help Pakistan decrease oil imports and thus improve its balance of payments.

The 1980 fiscal year also saw continued emphasis on encouraging small business entry into overseas markets. Thirty-two percent of the projects insured in 1980 involved investments by businesses smaller than the "Fortune 1000," i.e., those with annual sales of less than $117 million. One of these projects will potentially include more than 4,000 U.S. citizens who will be offered the opportunity to invest in limited partnership units in a project involving the construction and operation of a hotel and apartment complex in Haifa, Israel. This proposed $40,000,000 project, which will have a significant economic impact on Israel, will be made possible by the unique utilization of OPIC insurance to protect the combined interests of these thousands of small investors against political risk. In another instance, OPIC issued insurance for two small U.S. construction companies that established a joint venture to provide electrical and mechanical services in Saudi Arabia, helping them to compete in an economic sector traditionally dominated by larger corporations.

Our effort to cooperate with brokers to broaden awareness of the OPIC insurance program, particularly among small investors, continued in 1980. During the year, we issued insurance for investments in six projects that were brought to us by brokers. Five of these investments involved companies that had not previously used OPIC insurance. Twenty-nine, or six percent, of the 474 registrations received in 1980 involved brokers.

Perhaps the single most significant accomplishment during the year was the increase in insurance issued for mineral and energy projects. In FY 1980, OPIC issued 19 insurance contracts covering 11 mineral or energy projects, totalling $612 million in coverage. Of that amount, $233 million related to petroleum exploration and production projects, $52 million to refinery capacity and $327 million to various mineral projects.

Five contracts issued for petroleum exploration and production covered both initial exploration efforts and expansion of existing facilities, while the mineral projects involved, among other things, base and precious metals and strategic minerals. In the coming year OPIC expects to accelerate activity in the natural resources field, with potential projects in Latin America, Africa, the Near East and Asia. Both the number of projects and total amount of exposure are expected to increase significantly as OPIC's efforts in the natural resources field intensify. This expectation is based on the FY 1980 receipt of 61 registrations for insurance of mineral and energy projects representing more than $2.1 billion in new investment, a 36 percent increase over the number of registrations received in FY 1979.

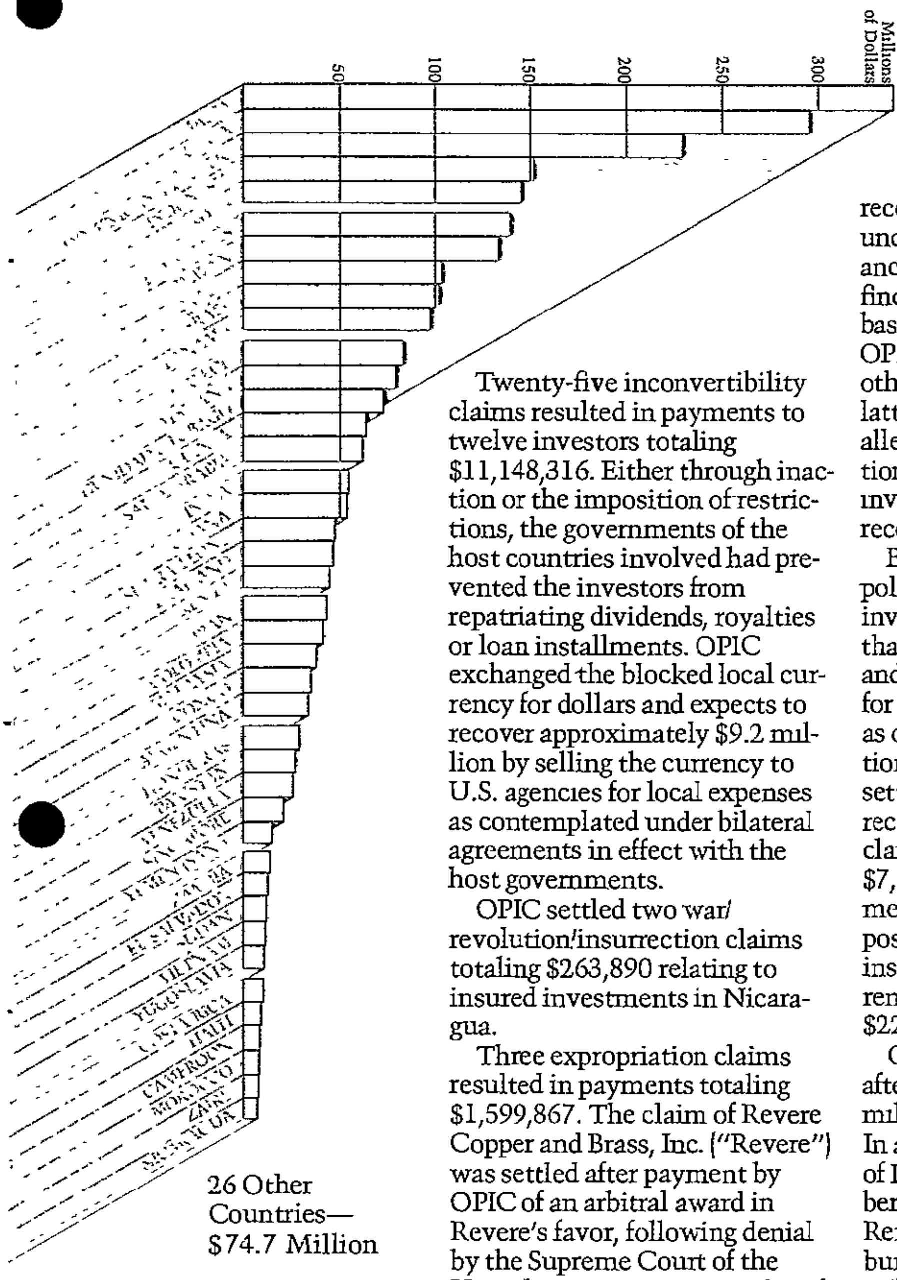
Foreign governments, particularly those in the Middle East, often require construction and service contractors to provide bid, performance and advance payment guaranties in the form of unconditional, irrevocable stand-by letters of credit instead of the conditional payment bonds offered by surety companies that are traditionally used in the United States. OPIC's special program to insure contractors against loss due to arbitrary drawings of these letters of credit has been instrumental in strengthening the competitive position of U.S. construction and service contractors in obtaining international contracts. During the year this coverage was also expanded to include exporters as well as contractors, since both may be required to post such guaranties.

The existence of this coverage not only encourages the reflow of petrodollars back to the United States, but also allows American firms to bid more competitively on procurements funded by AID and the international financial institutions. The year showed a dramatic increase in the number of insured letters of credit—a total of 27 compared to three in 1979. Fourteen of these were for projects involving small businesses.

Among the projects assisted by OPIC's letter of credit coverage was Raymond International's contract to clean and cement mortar-line water mains for Sri Lanka's Greater Colombo Water Supply. The project will help to improve sanitary standards and the reliability and quality of the water supply for 1.6 million people. In another case OPIC insured the letter of credit posted as a performance guaranty by RCA Globcom Systems, Inc. in connection with a contract for the supply and installation of a telex exchange expansion system in Thailand. Completion of the contract will more than double Thailand's international telex traffic capacity.

The projects involved in OPIC's letter of credit/guaranty coverage combine strong developmental benefits and U.S. economic benefits. The importance that contractors and exporters place on this coverage is reflected by receipt of 83 registrations for it in FY 1980.

The Overseas Investment Reinsurance Group, formed to provide private reinsurance for OPIC's expropriation and inconvertibility portfolios, consists of 17 private reinsurers and OPIC. The Group's total private subscription during its third year of operation remained at $6.4 million per country and $12.8 million worldwide. Fifty-two percent of this exposure was held by U.S. reinsurers and the remainder by foreign reinsurers.



War, Revolution & Insurrection Exposure

Since the inception of the political risk insurance program in 1948, OPIC and its predecessor agencies have settled 111 insurance claims aggregating $373.3 million in cash payments and guaranties and have entered into an indemnity agreement as to one other claim. In all, a total of 18 claims have been denied by OPIC and its predecessors, but only five of these were contested.

OPIC paid $13,012,073 in settlement of 30 insurance claims during the fiscal year. Claims pending at the close of the period totaled approximately $16.2 million.

Twenty-five inconvertibility claims resulted in payments to twelve investors totaling $11,148,316. Either through inaction or the imposition of restrictions, the governments of the host countries involved had prevented the investors from repatriating dividends, royalties or loan installments. OPIC exchanged the blocked local currency for dollars and expects to recover approximately $9.2 million by selling the currency to U.S. agencies for local expenses as contemplated under bilateral agreements in effect with the host governments.

OPIC settled two war/revolution/insurrection claims totaling $263,890 relating to insured investments in Nicaragua.

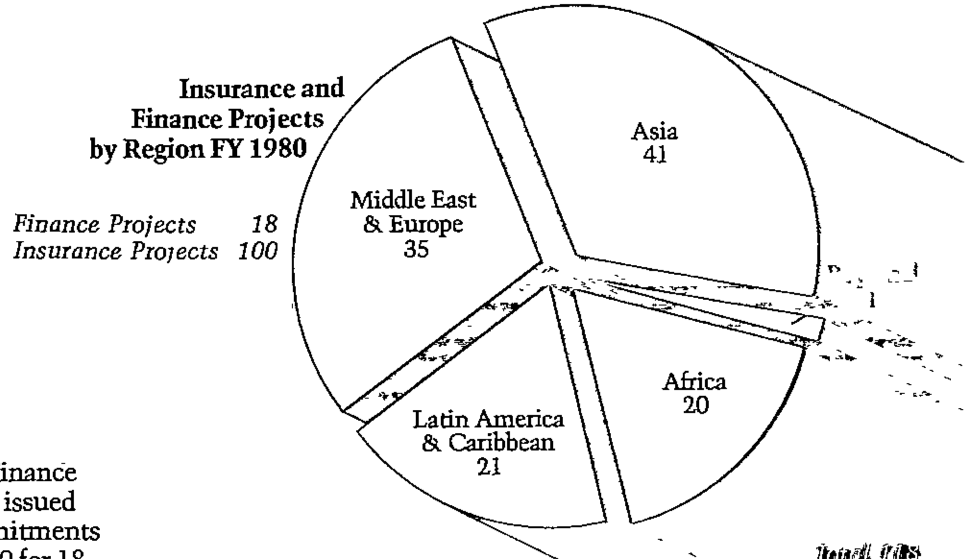
Three expropriation claims resulted in payments totaling $1,599,867. The claim of Revere Copper and Brass, Inc. ("Revere") was settled after payment by OPIC of an arbitral award in Revere's favor, following denial by the Supreme Court of the United States on June 4, 1980, of Revere's petition for a writ of certiorari to review the arbitral award against OPIC arising from an investment in Jamaica. Revere had requested the courts to vacate or correct that part of the award setting compensation with respect to the expropriation claim at $1,131,144 plus the expenses of arbitration. Revere had claimed compensation in excess of $90 million.

The two remaining expropriation claims settled during the fiscal year involved investments in Iran. One investor, which had experienced difficulties in obtaining payment of a dividend, received $270,724 from OPIC under the provision of the insurance contract which permits a finding of "partial expropriation" based on currency blockage. OPIC paid $15,164 to settle the other expropriation claim. The latter claim was filed in 1976 alleging a constructive expropriation of the investor's insured investment and did not relate to recent events in Iran.

Because Iran was considered politically stable by most U.S. investors, OPIC's exposure in that country was relatively low and maximum potential liability for expropriation was $47,012,298 as of September 30, 1980. In addition to the two claims already settled, in fiscal 1980 OPIC received four other expropriation claims totaling approximately $7,000,000 for insured investments in Iran and notice of five possible claims relating to insured investments with current coverages totaling over $22,000,000.

OPIC anticipates a net loss after salvage of no more than $2.6 million on claims settled in 1980. In addition, reinsurers at Lloyd's of London and the private members of the Overseas Investment Reinsurance Group will reimburse OPIC approximately $1.2 million for their portion of the net loss incurred.

During the fiscal year, foreign governments met scheduled obligations payable to or guaranteed by OPIC as a result of previous claims settlements. The Government of Chile was permitted to prepay a portion of its debt to OPIC. To date, there has been no default on any foreign government obligation relating to an OPIC claim settlement. OPIC recovered $27 million during 1980 through payment of foreign government obligations and disposal of local currency. Recovery of an additional $56.1 million is expected over the next eight years.

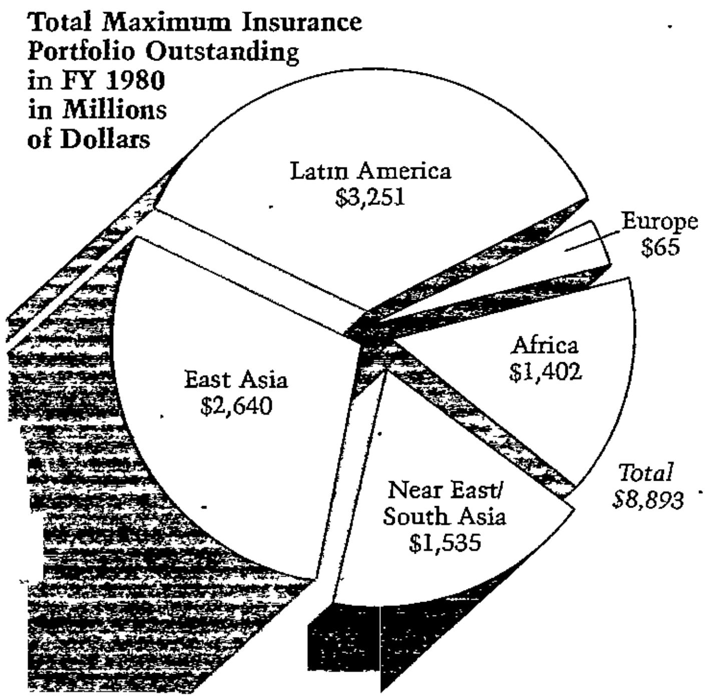


In fiscal year 1980, the Finance Department offered and issued loan and guaranty commitments aggregating $183,620,000 for 18 projects, the largest amount committed in any fiscal year. Ten, or 55 percent of the commitments, involve projects sponsored by U.S. small business. Seven projects involving agriculture, livestock and food processing will contribute to increased food production or improved processing. Three loans are for the expansion of local distributorships of U.S. heavy equipment and electrical products and are expected to enhance U.S. exports and to increase the availability of much-needed equipment and trained maintenance personnel in the poorer developing countries. Another significant development of the Department's operations was the financing of a company in which there is no significant U.S. ownership, but which supplies a strategic material, cobalt, to U.S. customers.

During the year OPIC equaled its previous record by participating in the financing of eight investment surveys to assist U.S. businesses contemplating investment in evaluating the commercial feasibility of potential new projects in the developing world. Based on information generated by these surveys, sponsors evaluate the economic potential of a proposed project to determine the most effective organizational and financial structure, which may include an OPIC direct loan or guaranty. The eight surveys covered projects in Nigeria, Kenya, Egypt, Cameroon, the Philippines and Malta. Areas of potential project activity include the production/distribution of seed, poultry, cotton and the manufacture of various plastics products and components.

As of September 30, 1980, the finance portfolio amounted to $328, 494,136 including unfunded commitments, an increase of $145,845,941 during the past year. The total includes $28,962,997 in loans from OPIC's Direct Investment Fund. Of the total portfolio 21 percent involved projects in Africa, 23 percent projects in the Far East and South Asia, and 56 percent projects in Latin America and the Caribbean. In all, some 32 developing countries are directly benefiting from OPIC finance projects.

Since OPIC's inception, the Finance Department has provided or agreed to provide $480 million in financing to 69 projects in 35 developing countries of which $328.5 million is now outstanding. The provision of this capital has contributed to almost $1.8 billion in total project investments. More than 68 percent of the projects assisted since July 1970 were sponsored by smaller U.S. businesses, as compared to the predecessor program under AID during the 1965–1970 period when small business accounted for only 31 percent. Smaller firms represent a relatively untapped source of U.S. export potential and development assistance, and efforts to identify investment opportunities suited to their particular needs will be intensified.



The relatively rapid pace of development in the 1970s will be difficult, if not impossible, for the developing countries to sustain during the 1980s. Direct bilateral and multilateral aid is unlikely to increase sufficiently to meet their needs. The oil-importing developing countries, in particular, will face extreme difficulty. In 1980, these nations are expected to amass a combined current account deficit of some $70 billion, and will be forced to expend as much as one-quarter of their export income on imported oil. The total external debt of the developing countries will continue to mount and is expected to reach the $400 billion mark. At current rates of lending, they will soon be compelled to use one of every two dollars borrowed to service their external debt. As a result, the developing nations collectively face the prospect of grossly insufficient capital resources to finance their development efforts.

Under the circumstances, it is not surprising that the developing nations have sought major adjustments in the global economic system. Gradually, however, they have come to recognize that such changes are not likely to take place in the near future. As a result, a new economic pragmatism is emerging as developing countries recognize that private sources for financing development efforts must be found. In the absence of increased concessional assistance, many of these countries have reexamined their attitudes and policies toward private foreign investors, recognizing that capital, technology, manpower training, management expertise and access to global marketing networks can be provided by foreign investors in ways that can contribute directly to the achievement of national development objectives. An increasing number of developing countries are now vigorously courting foreign investment or moderating policies and regulations that have severely restricted foreign investment in the past.

For example, a number of African governments that once espoused socialist principles recently have instituted economic reforms that have encouraged the growth of their private sectors, and are actively seeking investors by offering investment incentives to attract them.

For OPIC, operating in such an environment in the 1980s is both auspicious and challenging: auspicious in that the demand for OPIC's services in this kind of economic milieu is likely to rise to even higher levels; challenging in that OPIC must maintain a high standard of performance in meeting this substantial increase in demand. OPIC's FY1980 accomplishments are an indication of its ability to meet the challenge of the 1980s.

In the past fiscal year, OPIC assisted 118 projects involving more than a billion dollars in insurance, and made financial commitments of $184 million in direct loans and loan guaranties. These projects involve total overall investments approximating $2.5 billion. Of that figure U.S. investors will provide $930 million of the required capital, host countries will provide about $494 million, third countries will provide approximately $1.01 billion and multilateral lending institutions will supply an estimated $44 million. Local ownership will be involved in 85 of the 118 OPIC-assisted projects and in 64 cases these local joint venture partners will own 50 percent or more of the enterprises.

The net effect of these projects on the host countries' balance of payments will be decidedly positive. While production-related imports will amount to $506 million and capital outflows will be $314 million, the projects will allow the host countries to replace $699 million in imports and will generate $1.028 billion in export earnings, thus allowing a net foreign exchange savings of $907 million annually over the first five years of operation. In addition, the net revenue gain from the taxes and duties paid to the host countries will amount to $248 million during the same period.

The number of jobs these projects will create during the first five years of operation is substantial. Some 17,100 new jobs will be created, of which 33 percent will be management/professional positions. In addition to the direct employment generated by these projects, thousands of peripheral job opportunities will be created by the increased need for local goods and services. Approximately $697 million of the original investment funds will be spent locally and an additional $45 million in other less developed countries.

The "ripple effect" of these developmental factors is often viewed as being as important as the direct benefits of investment projects, if not more so. Import substitution reduces the drain on national income and can further the process of internal market development. In addition, as the upstream and downstream effects of increased purchases of goods and services spread through the entire economy, the initial increases in local and national income and employment are multiplied many times.

Pursuant to a specific mandate from Congress, OPIC made a concerted effort to encourage investment in those less developed countries whose per capita income is $520 or less computed in 1975 dollars. While many of these countries are rich in natural and human resources, their economic potential remains untapped because of the lack of capital, managerial and technical know-how, and the absence of accurate information on the part of potential U.S. investors about investment opportunities. Some 61 of the 118 projects OPIC assisted in fiscal 1980 involved these least developed countries: 23 were undertaken in Asia, 17 were in Africa, 12 in Latin America and the Caribbean and 9 in the Middle East. The remaining 57 projects were in countries whose per capita income was in excess of $520.

The development process involves a number of factors of varying degrees of importance to the different host governments. The highest priorities, however, generally have been assigned to increased employment, the exploration and development of mineral and energy resources, the establishment and expansion of infrastructure, improved agricultural production and distribution, light manufacturing and import substitution, and increased foreign exchange earnings.

The projects insured or financed by OPIC during the past year met these priorities and are compatible with host countries' development objectives. Of the total projects assisted, 39 were related to services (including technical assistance) and tourism, 35 were manufacturing projects, 13 involved construction, 18 involved agribusiness, and 13 involved minerals and energy.

Estimated Developmental Effects of OPIC-Assisted Projects for FY 1980

Projects Assisted:	
Agribusiness	18
Construction	13
Manufacturing	35
Minerals and Energy	13
Services and Tourism	39
Total	118
Source of Project Investment ($ million):	
U.S.A.	$ 930
Host Country	494
Third Country	1,013
Multilateral Institutions	44
Total	$2,481
Annual Foreign Exchange Earnings and Savings to Host Country ($ million):	
Imports Replaced	$ 699
Exports Generated	1,028
Total A	$1,727
Projects Imports	$ 506
Capital Outflows	314
Total B	$ 820
Net Foreign Exchange Impact (A less B)	$ 907
Annual Taxes, Revenues and Duties Paid to Host Government ($ million)	$ 370
Local Employment Generated	
Skilled and Unskilled	11,364
Technical and Managerial	5,704
Total	17,068

Highlights of Fiscal 1980

- Assistance to a medium-sized independent company to explore for, produce and market oil in Egypt.
- Financing provided to establish a facility in St. Vincent to manufacture milk cartons. This project is a direct result of the 1980 mission to the Caribbean sponsored by the President's Commission on Agricultural Development.
- OPIC's first financial commitment in Papua New Guinea. The company will mine gold and copper in a project which will ultimately become the largest single industrial enterprise in the country. It is expected to earn significant amounts of foreign exchange and to increase government tax revenues dramatically.
- Financing provided for expansion of a chicken hatchery in Pakistan. The company will increase the supply of broilers and laying stock in one of the world's poorest countries.
- Financing arranged for expansion of cobalt mine in Zambia. U.S. importers will have a contractual right to purchase 1200 tons of cobalt annually for six years. These sales will provide critically important foreign exchange for the Zambian government.
- An oil exploration, production and marketing operation which will have a positive effect of $17 million annually on the Congo's balance of payments.
- Financing to expand a shrimp feed mixing mill and installation of hatchery facilities in Ecuador. Local shrimp farmers will benefit from the transfer of technology.
- Expansion of a frozen vegetable processing and packaging facility. The project will employ some 1400 Guatemalan workers and farmers.
- Major expansion of a Honduran silver, lead and zinc mine which will increase production by 60 percent, and add significantly to the country's tax revenues and foreign exchange earnings.



The benefits of OPIC-assisted projects are not confined to the developing countries. There are significant direct and indirect benefits that accrue to the United States through job creation, improved access to raw materials not available from domestic sources and positive contributions to the U.S. balance of payments from export and investment earnings.

Some foreign investment projects, however, have little or no potential for returning benefits to the U.S. economy. Consequently, each proposed project submitted for assistance is carefully evaluated by OPIC's economists to determine if it will have an adverse impact on the level of employment or the U.S. balance of payments. OPIC refuses assistance to "runaway" plant projects and to any other investment that might have significant adverse effects on U.S. employment or exports or transfer high technology abroad. Since 1974, OPIC has rejected 75 such projects formally and many others informally.

Competition among the developed countries for access to the critical minerals and raw materials of the Third World is growing. As world demand increases, it is important that the U.S. secure access to new and diversified sources of supply in these countries. Never before has our dependency on the developing countries for their natural resources been more pronounced. In addition to petroleum, the U.S. lacks sufficient supplies of bauxite, chrome, tin, nickel, cobalt, titanium, natural rubber and many other raw materials. One of the most effective ways to establish new and diversified sources of supply is through U.S. investment in the developing countries. During fiscal 1980, OPIC assisted three exploration and development petroleum projects and seven mineral projects involving cobalt, copper, lead, zinc, gold, silver and rutile (titanium).

The search for the means to pay for escalating energy costs have heightened the competitiveness of the global trade environment. Since the developing countries represent the world's most rapidly expanding markets, they constitute a tremendous potential market for U.S. exporters. Linkage between private investment in a foreign country and exports from the parent company to the project can provide an effective means to tap this growing market.

About a third of all U.S. exports in 1979, for example, were shipped to overseas affiliates and subsidiaries of U.S. corporations. These overseas subsidiaries are much more inclined to buy U.S. products and equipment than are foreign-controlled companies. In some instances foreign investment allows the U.S. investor to reach markets that cannot be served competitively from the United States. This process in turn opens new export opportunities for U.S. goods and services as local consumers become familiar with U.S. products, quality and standards.

The 118 projects which OPIC assisted in fiscal 1980 will involve some $570 million in initial purchases of U.S. machinery, equipment and supplies. During the first five years of operation, these projects will purchase an additional $660 million of U.S. exports. Net exports displaced and net imports resulting from these projects will amount to only $10 million and $5 million, respectively. The net direct trade effect of these projects, will amount to $1.2 billion in new U.S. exports.

The projects also will result in a capital flow benefit to the U.S. balance of payments of $155 million within the first five years of operation. Initial net capital outflows will amount to $608 million which will be offset by loan repayments, interest, dividends and royalty payments during the period amounting to $763 million.

In addition to these financial benefits, the U.S. investors report that some 17,500 man-years of employment will be generated in the U.S. by these projects to manufacture, mine, grow, process and ship these additional U.S. exports.

Tangible benefits to the United States, such as increased exports and domestic employment, are usually accompanied by a host of intangible benefits. Historically, many Third World leaders have been predisposed to view the free enterprise system with suspicion and to consider it ineffective, irrelevant or even detrimental to the pursuit of their national development goals. A concrete demonstration by a U.S. investor that private capital and know-how can contribute to the country's development and that it constitutes a viable complement to public sector investment can go a long way to offset this view. Moreover, the greater efficiency of the private sector in producing vitally needed goods and services provides a continuing reminder of the potency of the free enterprise development route. Joint ventures are particularly effective in fostering the growth of the private sector and serving as a conduit for the transfer of American "know-how," management skills, business practices and modes of operating. The political benefits of fostering the growth of the private sector in developing countries must not be overlooked since a strong private sector is one of the cornerstones of a democratic political system.

Estimated U.S. Economic Benefits From OPIC-Assisted Projects for FY 1980	Values in Millions of Dollars
Total Project Investments Assisted	$ 2,481
U.S. Investment in Projects	$ 930
U.S. Percent of Total	38%
U.S. Exports	
Initial Procurement	$ 570
Follow-on Procurement of Production Inputs (5 years)	$ 660
Total Direct U.S. Project Exports (5 years)	$ 1,230
Estimated Man-Years of U.S. Employment Generated (5 years)	17,500

Nchanga Consolidated Copper Mines, Limited. OPIC is guaranteeing a $30,000,000 working capital loan to this key Zambian company. As a result of the loan U.S. importers will have a contractual right to the annual purchase of 600 tons of cobalt, a strategic mineral which has been in short supply for over five years. The mining sector is vital to the Zambian economy, accounting for more than 21 percent of the country's gross domestic product.

Yemen-American Water Drilling Service, Limited. OPIC's direct funding of $720,000 to this small business contributes to the start-up of a contract well-drilling service in the Yemen Arab Republic. The company will drill, construct and service water wells for private, agricultural and industrial use. The primary benefit is the increased availability of fresh water for agricultural use and domestic consumption.

Arbor Acres Pakistan, Limited. A $750,000 local currency loan to this small business-sponsored project will assist a 31% expansion of the company's chicken hatching capacity and provide additional working capital to permit seasonal feedgrain purchases. The project will increase the supply of broilers and laying stock in one of the world's poorest countries. Approximately 40 new jobs will be created, and the transfer of advance grow-out farming techniques will make a major contribution to the economy of Pakistan.

Casa Comercial Munson S. de R.L. de C.V. A Direct Investment Fund loan of $600,000 finances in part the expansion of the sales, service and maintenance facilities of a Honduran distributor of Mack trucks. The project will give the company the capacity to provide repair service for 70% of Honduras' present heavy truck needs.

Taha El Roubi Transport Company, Limited. An OPIC guaranteed loan in the amount of $9,700,000 will assist the start-up of a contract freight hauling service in the Sudan over the Port Sudan-Khartoum route. The project will employ approximately 285 persons. Benefits to the U.S. economy will be substantial. In addition to the procurement of trucks, trailers, prefab buildings and spare parts in this country, a U.S. company will manage the venture under a long-term contract and provide training of local employees.

Helechos de Costa Rica. A $360,000 OPIC loan to this small business contributes to the start-up of a 22-acre leatherleaf fern farm in Costa Rica. Sponsored by a U.S. agriculturist with several years experience in the fern business, the project's production of non-traditional exports supports local priority agricultural programs. All production will be sold to Europe, thus generating substantial foreign exchange earnings. Some 40 new local jobs will be created.

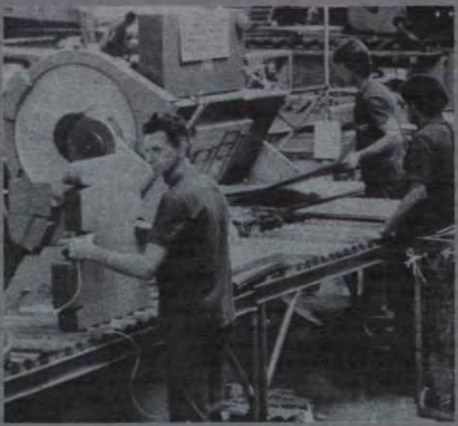
Empacadora Nacional, C.A. With the help of an OPIC $1,200,000 loan, a U.S. small business will expand its existing operations in Ecuador with the addition of a shrimp feed mill and the installation of hatchery facilities for the production of young shrimp. The project helps assure a reliable supply of larval shrimp to the burgeoning local shrimp farm industry plus offering technical monitoring services, involving a significant transfer of technology.

Continental Murex Company. An OPIC loan of $700,000 provides funding toward the expansion of the company's line of paper products to include milk and juice cartons. The project is OPIC's first financing project in St. Vincent and resulted from the 1980 mission to the Caribbean sponsored by the President's Commission on Agricultural Development.

Fabrica Industrial de Alimentos de Honduras. The project, assisted by an OPIC $260,000 direct loan, involves an expansion of a small Honduran condiment packaging and processing plant. An estimated 30 manufacturing jobs will be created as a result of the project. The project makes local food products available in place of imports.

Societe Civile Immobiliere Les Tropiques (Ivory Coast). The project, financed in part by an OPIC guaranty of $3,400,000, entails construction and operation of a first class business hotel in Abidjan. Approximately 200 local workers will be directly employed.

Alimentos Congelados Monte Bello, S.A. (Guatemala). An OPIC $800,000 Direct Investment Fund loan to this small business project in Guatemala will assist in expanding its frozen vegetable processing and packaging capacity by 75 percent. The project will increase local networks of contract growers by 300 and will generate foreign exchange. The enterprise complements the government's high priority assistance program for agricultural diversification. The company also provides financial and technical assistance to its network of 1,200 local contract growers.



Distribuidora Industrial, S. de R.L. This small business-sponsored project involves the expansion of existing distribution operations for U.S. electrical components and metering units. An OPIC loan of $360,000 will assist in the construction of a new warehouse, installation of computerized inventory control, and provision of additional working capital. The project will help the company meet supply commitments to several major infrastructure projects in Honduras. Additional spare parts inventory and improved inventory control are expected to help reduce electrical repair downtime.

Belize Cemcol Limited. A $420,000 investment guaranty finances in part the establishment in Belize of a new Caterpillar heavy equipment distributorship with sales, service and parts facilities. The project is sponsored by Caterpillar and its Honduran owners who are Caterpillar distributors in that country. The facility will provide the only professional repair facility for heavy equipment in Belize. It also will develop local repair and maintenance skills for equipment used in infrastructure development and in farming.

Ok Tedi Mining Company, Limited. The project involves the development and mining, in three stages, of an open pit gold and copper mine with related processing plants, infrastructure and logistical facilities. OPIC is participating in the financing through a $50 million loan guaranty. The project will provide significant tax revenues and foreign exchange earnings to the Government of Papua New Guinea and local employment generation is estimated at nearly 1,500. Project spin-offs include a new township, new social services and facilities, and the stimulation of local enterprises. This project represents OPIC's first involvement in Papua New Guinea.

Abbott Laboratories (Pakistan) Limited. OPIC has provided the company with a $2,500,000 local currency loan for the expansion and modernization of pharmaceutical operations and addition of new product lines. Production is for local consumption. Pakistan will benefit from added foreign exchange savings and an additional 164 workers will be employed.

Institute for International Development, Inc. A $75,000 investment encouragement loan, in conjunction with a grant, to this private voluntary organization is to be used for relending to small business projects in Colombia, Honduras, Indonesia and Kenya. It is estimated that over a ten-year period, proceeds from OPIC funds will benefit nearly 100 small business ventures in less developed countries. IIDI already has utilized OPIC funds in support of more than 50 projects.

Roan Consolidated Mines, Limited. An OPIC-guaranteed working capital facility of $30 million supports the company's existing copper and cobalt mining and processing operations in Zambia. As a result of the loan U.S. importers will have contractual rights to purchase 1,200 tons of cobalt annually for six years. Mining production accounts for some 90 percent of Zambia's exports.

Sharaf Cement Co., Ltd. Aided by a $40,000,000 investment guaranty, the company will undertake construction and operation of a 1 million metric ton cement plant near Port Sudan. Production will be for export primarily to Saudi Arabia, and for local use in critical infrastructure projects. The project is expected to effect foreign exchange savings of more than $80 million over its first five years of operation.

October 1, 1979–September 30, 1980

Company	Location	Project	Total Insured Investment This Investor	Largest Single Maximum Coverage
Abbott Laboratories	Nigeria	Pharmaceutical warehousing and distribution (expansion)	$ 1,232,961	$ 1,919,774
Aeronutronic Overseas Services Corporation****	Indonesia	Supply two satellite stations and necessary services	3,000,000	2,700,000
Agrico Korea Enterprises	Korea	Urea fertilizer plant (expansion)	1,500,000	1,350,000
AMAX Securities, Inc.	Botswana	Nickel/copper/cobalt mining and processing	27,000,000	31,086,000
American Bechtel, Inc.	Korea	Perform engineering and construction work	192,000	172,800
American Security Bank*	Pakistan	Increase petroleum production	500,000	785,000
American Security Bank*	Pakistan	Petroleum refinery (expansion)	500,000	755,000
Ameron, Inc.**	Saudi Arabia	Manufacture large diameter prestressed concrete pipe	18,056,000	17,470,800
ARMCO, Inc.	Philippines	Manufacture steel grinding balls (expansion)	4,000,000	3,840,000
Bank of America	Yemen Arab Republic	Commercial bank	2,200,000	3,960,000
Bethlehem Steel Corporation	Sierra Leone	Rutile mining	20,700,000	23,521,823
G.E. Boggs & Associates, Inc.****	Jordan	Supply, operate and maintain supervisory control and data acquisition system for city of Amman	120,000	108,000
Borden, Inc.**	Korea	Manufacture animal feed supplement	886,149	797,534
Brown & Root, Inc.****	Saudi Arabia	Construct causeway	5,742,000	5,167,800
Buck Engineering Co., Inc.****	Syria	Supply and install educational training systems	186,000	167,400

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Company	Location	Project	Total Insured Investment This Investor	Largest Single Maximum Coverage
C & W Trading Co.	Rwanda	Tea processing	$ 74,000	$ 199,800
Canberra Industries, Inc.****	Saudi Arabia	Supply and install hospital radiation monitoring system	1,592,132	1,432,919
Carnation International***	Korea	Manufacture animal feed and dairy products	1,200,000	720,000
Carnation International	Nigeria	Import and distribute dairy and food products	352,000	950,400
Chase Manhattan Bank	Thailand	Branch bank (expansion)	2,000,000	1,800,000
Chase Manhattan Bank	Zambia	Mining and processing cobalt (expansion)	8,000,000	16,000,000
Chemical Bank*	Pakistan	Increase petroleum production	2,500,000	3,925,000
Chemical Bank*	Pakistan	Petroleum refinery (expansion)	2,500,000	3,775,000
Chemtex, Inc.****	Egypt	Engineering services for polyester fiber plant	150,000	135,000
Citibank, N.A.	Ivory Coast	Branch bank (expansion)	1,860,000	1,674,000
Citibank, N.A.	Kenya	Branch bank (expansion)	450,000	405,000
Citibank, N.A.	Malaysia	Branch bank	2,860,000	2,574,000
Citibank, N.A.	Mauritius	Branch bank (expansion)	635,000	571,500
Citibank, N.A.	Niger	Commercial bank	750,000	1,050,000
Citibank, N.A.	Sri Lanka	Branch bank	650,000	585,000
Citibank, N.A.	Sudan	Branch bank	5,000,000	4,500,000
Citibank, N.A.	Taiwan	Branch bank (expansion)	4,952,417	4,457,175
Citibank, N.A.	Thailand	Development lending institution (expansion)	892,125	1,605,826
Citibank, N.A.	Yemen Arab Republic	Branch bank	652,056	586,850
O.H. Clapp & Co.	Rwanda	Tea processing	189,400	511,380
Crescent Construction Company	Saudi Arabia	Perform mechanical & electrical construction work	400,000	1,000,000
Cyclotron Corporation****	Saudi Arabia	Supply and install hospital cyclotron	3,407,537	3,066,783

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Company	Location	Project	Total Insured Investment This Investor	Largest Single Maximum Coverage
Cyclotron Corporation****	Saudi Arabia	Supply and install hospital radiation safety control system	$ 1,369,000	$ 1,232,100
Dana Corporation	Taiwan	Manufacture vehicle axles, shafts and joints	556,000	1,501,200
Diamond Shamrock Corporation	Korea	Manufacture potassium-based chemicals	2,200,000	1,980,000
Diamond Shamrock Corporation	Taiwan	Manufacture specialty chemicals	1,845,817	1,661,235
Dravo Corporation****	Taiwan	Sinter plant and blending facility	3,030,000	2,727,000
EFHCO, Inc.	Korea	Manufacture metal-working fluids and chemicals	700,000	630,000
First National Bank of Boston	Nigeria	Merchant bank	2,516,000	4,093,470
Fischbach & Moore****	Bangladesh	Design, supply and construct electrical transmission line	800,000	720,000
Flexten Systems, Inc.****	Saudi Arabia	Construct cancer research institute	365,094	320,484
FMC Corporation****	Jordan	Construct materials handling works for potash terminal	1,706,600	1,535,940
Freeport Minerals Co.	Indonesia	Copper mining (expansion)	30,000,000	27,000,000
General Electric Co.****	Jordan	Supply 18 locomotives, parts and training	4,783,920	4,305,528
General Electric Co.****	Syria	Supply locomotives, technical services, and training	4,600,000	4,140,000
General Electric Co.	Taiwan	Manufacture turbine generators	18,000,000	19,318,500
General Foods Corporation	Philippines	Manufacture food products	147,131	397,254
General Foods Corporation	Philippines	Manufacture food products	72,650	196,155
Genie Toys, Inc.	Haiti	Process and assemble stuffed toys	200,000	180,000
Gibbs & Hill, Inc.	Taiwan	Engineering and design services for power project	778,860	1,051,462
B.F. Goodrich****	Brazil	Manufacture vinyl chloride monomer	600,000	540,000

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Company	Location	Project	Total Insured Investment This Investor	Largest Single Maximum Coverage
GTE International, Inc.	Thailand	Manufacture fluorescent lamps (expansion)	$ 194,000	$ 523,800
Haifa Development Associates	Israel	Hotel	22,000,000	21,384,000
Hamco, Ltd.	Saudi Arabia	Perform mechanical & electrical construction work	400,000	1,000,000
Harris Corporation****	Greece	Supply and install telecommunications satellite earth station	500,000	450,000
Honeywell, Inc.	Thailand	Assemble integrated circuits	7,500,000	6,750,000
Honeywell Information Systems**	Yugoslavia	Manufacture computer hardware and software	9,250,000	12,645,000
Hood Corporation	Saudi Arabia	Construction company specializing in fuel pipelines and irrigation systems	2,126,000	2,500,000
IBM World Trade Corporation	Thailand	Computer center (expansion)	595,830	536,247
Intelco, Limited****	Jordan	Supply and install radio communication equipment	45,000	40,500
Intelco, Limited****	Jordan	Supply and install telecommunication towers	15,000	13,500
ITT Industries, Inc.**	Korea	Manufacture pipes	5,115,500	4,603,950
Johnson Products Co., Inc.	Nigeria	Manufacture cosmetic products	1,551,000	1,395,900
Ladd Petroleum Corporation	Congo	Petroleum exploration and production	22,500,000	20,250,000
Linson Investments, Ltd.	Indonesia	Pharmaceutical production (expansion)	2,016,000	2,259,237
Lyon Associates, Inc.****	Syria	Highway engineering and construction	325,000	292,500
Lyon Associates, Inc.****	Syria	Design and engineering services for communications	50,000	45,000
Master, Joseph J. et al	Costa Rica	Ornamental plants farm	300,000	648,000

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Company	Location	Project	Total Insured Investment This Investor	Largest Single Maximum Coverage
Mobil International Petroleum Corporation	Cameroon	Petroleum refinery	$ 3,430,000	$ 9,261,000
Mobil International Petroleum Corporation**	Yemen Arab Republic	Lube oil blending plant	11,662,000	15,019,200
Motorola Asia, Ltd.	Taiwan	Manufacture liquid crystal displays	1,800,000	2,952,000
National Cooperative Refinery Association, Texas City Refinery, Inc., and Indiana Farm Bureau Cooperative Association	Congo	Petroleum exploration and production	18,750,000	16,875,000
Nord Resources Corporation	Sierra Leone	Rutile mining	1,041,940	1,562,910
North Jersey Secretarial School	Haiti	Technical/vocational training school (expansion)	70,000	63,000
Quintana Refinery Co.	Egypt	Petroleum exploration and production	27,777,778	25,000,000
RAHCO DISC, Inc.****	Syria	Preparation and paving of irrigation canals and associated training	250,344	225,310
Raymond International	Sri Lanka	Clean and cement lining of water mains	370,553	333,481
RCA, Inc.****	Thailand	Supply and install telex exchange system	253,341	228,007
Riggs National Bank*	Pakistan	Petroleum refinery (expansion)	750,000	1,132,500
Rosario Resources Corporation	Honduras	Silver, lead, and zinc mining (expansion)	17,777,777	16,000,000
Scott Paper Company	Taiwan	Manufacture sanitary paper products	750,000	2,025,000
Servbest Foods, Inc.	Haiti	Pig and cattle raising and meat processing facilities (expansion)	619,447	1,672,506
Servbest Foods, Inc.	Haiti	Rabbitry (expansion)	167,996	453,588
Soule Steel Co.****	Syria	Supply and supervise construction of metal buildings	37,040	33,336
Stem Imports, Inc.	Dominican Republic	Flower cultivation	138,000	124,200
Stokely-Van Camp, Inc.	Dominican Republic	Food processing (expansion)	46,040	124,308

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Company	Location	Project	Total Insured Investment This Investor	Largest Single Maximum Coverage
Stromberg-Carlson Corporation****	Egypt	Supply and install telecommunications exchange offices	$ 200,000	$ 180,000
Stromberg-Carlson Corporation****	Egypt	Supply and install telecommunications exchange equipment	300,000	270,000
Tennessee Handbags, Inc.	Haiti	Manufacture vinyl and canvas handbags	920,000	940,500
Trans-Pacific Resources, Inc.	Israel	Manufacture agricultural fertilizers (expansion)	3,167,780	8,553,000
Union Carbide Corporation	Egypt	Manufacture dry cell batteries	5,218,500	8,000,000
Uniroyal, Inc.	Malaysia	Manufacture rubber gloves	625,900	1,689,93[illegible]
Uniroyal, Inc.**	Taiwan	Manufacture specialty chemicals for the rubber industry	2,910,000	7,857,000
United States Leasing International, Inc.	Thailand	Equipment leasing company	62,500	168,750
Universal Foods Corporation	Philippines	Manufacture yeast (expansion)	280,000	476,000
Universal Leaf Tobacco Company	Brazil	Tobacco processing	1,247,247	3,367,640
V.T.N. International, Inc. and Frank L. Hope and Associates, Inc.****	Saudi Arabia	Consulting and engineering services for vocational facilities	1,189,770	1,070,775
Wallis & Company, Inc.	Honduras	Silver and gold mining	562,500	1,186,292
Weisglass, David	Haiti	Manufacture personal leather goods (expansion)	517,550	587,385
Harold O. Whitney, Inc.	Belize	General farming	900,000	1,620,000
Windsong Resorts, Ltd.	Jamaica	Tourist resort	150,000	135,000
Witco Chemical Corporation	Israel	Manufacture detergents and related chemicals (expansion)	250,000	675,000
H.B. Zachry Co.****	Saudi Arabia	Construct sewer and building connections	2,366,863	2,130,177

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-201607

January 19, 1981

To the Board of Directors
Overseas Private Investment Corporation

We have examined the balance sheets of the Overseas Private Investment Corporation as of September 30, 1980 and 1979, and the related statements of income, changes in capital and reserves, and changes in financial position for the years then ended. Our examinations were made pursuant to the Government Corporation Control Act (31 U.S.C. 841–869) and in accordance with Comptroller General standards for financial and compliance audits, and included such tests of the accounting records and other audit procedures as we considered necessary under the circumstances.

As explained in note 4 of the accompanying financial statements, Section 235(c) of the Foreign Assistance Act of 1961, as added by the Foreign Assistance Act of 1969 (22 U.S.C. 2195(c)), established an Insurance and Guaranty Reserve for the respective discharge of liabilities under the Corporation's insurance and guaranty contracts. At September 30, 1980, these reserves totaled $576 million. (See notes 5 and 6.) In addition, section 237(c) of the act provides that the full faith and credit of the United States is pledged for the full payment and performance of the Corporation's insurance and guaranty liabilities. Thus, if claim settlements exceed available resources, the Congress would have to appropriate funds to fulfill this pledge. The standing authority for such appropriations is contained in section 235(f) of the act.

In our opinion, the accompanying financial statements present fairly the financial position of the Overseas Private Investment Corporation as of September 30, 1980 and 1979, and the results of its operations, changes in its capital and reserves, and changes in its financial position for the years then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Elmer B. Staats

Comptroller General
of the United States

ID-81-22

Statement of Income
Overseas Private Investment Corporation

For the year ended September 30	1980	1979
Revenues		
Political risk insurance premiums	$31,317,787	$30,992,954
Less premiums on shared risks	4,837,636	4,744,124
	26,480,151	26,248,830
Investment guaranty fees	1,812,283	1,692,331
Direct investment interest	1,779,543	1,464,066
Other income	61,690	94,617
	30,133,667	29,499,844
Interest	45,999,010	38,233,808
	76,132,677	67,733,652
Expenses		
Salaries and benefits	4,151,027	3,847,689
Loss (Gain) on claim settlements:		
Political risk insurance	2,397,418	984,482
Investment guaranties	<103,498>	642,830
Provision for uncollectable DIF loans	1,600,000	1,600,000
Contractual services	730,688	1,458,381
Rent, communications and utilities	747,099	609,870
Travel	451,892	326,024
Printing and supplies	288,081	216,377
Depreciation and amortization	111,694	42,621
	10,374,401	9,728,274
Net Income	$65,758,276	$58,005,378

The accompanying notes are an integral part of this statement.

Balance Sheet
Overseas Private Investment Corporation

At September 30	1980	1979
Assets		
Cash and investments:		
Cash	$ 85,085,221	$ 78,856,552
U.S. Treasury securities at cost plus accrued interest (Note 2)	498,564,605	428,489,417
	583,649,826	507,345,969
Direct Investment Fund loans outstanding less allowance for uncollectable loans of $4,945,928 in 1980 and $3,345,928 in 1979 (Note 3)	18,758,388	19,602,259
Accrued interest and fees	2,242,009	3,122,526
Accounts receivable	9,080,653	9,626,582
Prepaid reinsurance premiums	1,136,447	1,070,809
Furniture and equipment at cost less depreciation of $213,996 in 1980 and $174,258 in 1979	456,573	162,426
Leasehold improvements at cost less amortization of $143,040 in 1980 and $77,437 in 1979	953,235	33,096
Assets acquired in claims settlements	52,359,535	62,341,421
	$668,636,666	$603,305,088
Liabilities, Capital and Reserves		
Liabilities:		
Accounts payable and accrued expenses	$ 1,439,797	$ 975,947
Direct liabilities related to claims settlements	2,974,639	4,706,820
Participations in DIF loans	87,370	131,054
Unearned premiums	14,223,295	13,285,709
Fees held pending claims determinations	344,739	397,008
	19,069,840	19,496,538
Contingent liabilities (Notes 5 and 6)		
Capital and reserves:		
Capital held by U.S. Treasury (Note 3)	50,000,000	50,000,000
Insurance reserve (Notes 4 and 5)	452,707,754	405,105,172
Guaranty reserve (Notes 4 and 6)	123,592,606	113,489,108
Retained earnings	23,266,466	15,214,270
	649,566,826	583,808,550
	$668,636,666	$603,305,088

The accompanying notes are an integral part of this statement.

Statement of Changes in Capital and Reserves
Overseas Private Investment Corporation

For the 2 years ended September 30, 1980	Capital	Insurance reserve	Guaranty reserve	Retained earnings	Total
Balance September 30, 1978	$50,000,000	$283,005,916	$ 99,965,476	$17,581,580	$450,552,972
Cumulative effect on prior years of accounting change for claims settlements		73,083,738	2,166,462		75,250,200
Net Income		(984,482)	(642,830)	59,632,690	58,005,378
Transfers from retained earnings		50,000,000	12,000,000	(62,000,000)	
Balance September 30, 1979	$50,000,000	$405,105,172	$113,489,108	$15,214,270	$583,808,550
Net Income		(2,397,418)	103,498	68,052,196	65,758,276
Transfers from retained earnings		50,000,000	10,000,000	(60,000,000)	
Balance September 30, 1980	$50,000,000	$452,707,754	$123,592,606	$23,266,466	$649,566,826

The accompanying notes are an integral part of this statement.

Statement of Changes in Financial Position
Overseas Private Investment Corporation

For the year ended September 30	1980	1979
Source of Funds		
Net income	$65,758,276	$58,005,378
Depreciation and amortization	111,694	42,621
Provision for uncollectable DIF loans	1,600,000	1,600,000
	67,469,970	59,647,999
Cumulative effect of change in accounting policy		75,250,200
Increase (decrease) in:		
Accounts payable and accrued expenses	463,850	(35,890)
Unearned premiums	937,586	(2,267,410)
Decrease (increase) in:		
Accrued interest and fees	880,517	(1,866,242)
Accounts receivable	545,929	(3,548,447)
Assets acquired in claims settlements	9,981,886	(56,819,601)
	80,279,738	70,360,609
Application of Funds		
Net disbursement on DIF loans	756,129	3,281,422
Acquisition of:		
Furniture and equipment	340,239	53,794
Leasehold improvements	985,741	28,574
Increase (decrease) in prepaid reinsurance	65,638	(101,492)
Decrease (increase) in:		
Direct liabilities related to claims settlements	1,732,181	815,000
Participations in DIF loans	43,684	549,934
Fees held pending claims determinations	52,269	2,045,73[illegible]
	3,975,881	6,672,963
Increase in cash and investments	$76,303,857	$63,687,646

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

Overseas Private Investment Corporation

Note 1: Summary of Significant Accounting Policies

The significant policies are summarized below:

Revenue recognition: Revenue from political risk insurance is recorded on a pro-rata basis over the contract period. All other revenue is recognized when earned in accordance with generally accepted accounting principles.

Valuation of assets acquired in claims settlements: Debt of a foreign government acquired in the settlement of a claim is valued at the lower of its present value or the cost of acquisition. All other assets acquired in claims settlements are valued at the lower of management's estimate of the present value of the recovery on the asset or the cost of acquisition. Present value is determined at the time of acquisition using the composite yield for all U.S. Government securities.

Depreciation and amortization: Furniture and equipment are depreciated on a straight-line basis over a 10-year life. Leasehold improvements are amortized over the life of the related lease.

Note 2: Investments in U.S. Treasury Securities

In conformance with Section 239(d) of the Foreign Assistance Act of 1961, as amended (FAA), investments in U.S. Treasury securities are limited to funds derived from fees and other revenues. The funds available for investment were $491,738,097 and $419,401,855 at September 30, 1980 and 1979, respectively. Of these funds $491,596,301 and $418,992,373 respectively, represent the original cost of investments included in the Balance Sheet.

Note 3: Direct Investment Fund

The FAA authorized the establishment of a Direct Investment Fund (DIF), that consisted of the $40,000,000 paid in as capital of the corporation, to make loans on terms and conditions established by OPIC. The DIF is charged with realized losses and credited with realized gains and such additional sums as determined by the Board of Directors. During 1976 OPIC increased the DIF by $10,000,000 in connection with the transfer of $10,000,000 from retained earnings to capital held by the U.S. Treasury.

The status of the DIF was as follows, in millions:

	September 30 1980	1979
Appropriated DIF capital	**$40.0**	$40.0
Transfer from earnings	**10.0**	10.0
Net losses	**(6.5)**	(4.9)
Uncommitted funds	**(14.5)**	(18.6)
Outstanding commitments	**29.0**	26.5
Undisbursed portion	**(5.4)**	(3.7)
Net loans outstanding	**$23.6**	$22.8

Proceeds received from the sale of participations were credited to the DIF for further lending in accordance with Sections 231(c), 235(b) and 239(d) of the FAA. The figures above are net of such participations, which amounted to $87,370 and $131,054 at September 30, 1980 and 1979 respectively. Pursuant to provisions of Sections 239(d) and 234(b) of the FAA, OPIC has guaranteed full payment of the participated portion of DIF loans. This liability for outstanding participations is included in the amount of investment guaranties outstanding (Note 6).

Note 4: Statutory Reserves and Full Faith and Credit

Section 235(c) of the FAA established a fund with separate accounts known as the Insurance Reserve and the Guaranty Reserve for the respective discharge of liabilities under investment insurance and under guaranties issued under Section 234(b) of the FAA and similar predecessor guaranty authority. Both Reserves may be replenished or increased by transfers from retained earnings or by new Congressional appropriations. Retained earnings at September 30, 1980, available for transfer to the Insurance or Guaranty Reserve, were $23,266,466.

Should funds at any time not be sufficient to discharge obligations arising under investment insurance or guaranties, as the case may be, Congress would have to appropriate funds to fulfill the pledge of full faith and credit to which such obligations are entitled. Standing authority for such appropriations is contained in Section 235(f) of the FAA.

All investment insurance issued by OPIC, all guaranties issued by OPIC in connection with the settlement of claims under investment insurance and all guaranties referred to in the first paragraph above constitute obligations of the United States of America. The full faith and credit of the United States of America is pledged for the full payment and performance of such obligations.

Note 5: Insurance Reserve

The Insurance Reserve at September 30, 1980 totaled $452,707,754. Charges against the Insurance Reserve could arise from contingent obligations under (A) guaranties issued in settlement of claims arising under investment insurance contracts, (B) pending claims under investment insurance contracts, and (C) outstanding investment insurance contracts. These three categories of contingent obligations are discussed in more detail in the balance of this Note.

(A) Claims Settlement Guaranties

Pursuant to Sections 237(i) and 239(d) of the FAA, OPIC has in some instances settled claims arising under investment insurance contracts by issuing payment guaranties of host government obligations. These claims settlement guaranties represent contingent obligations backed by the Insurance Reserve.

The contingent liability at September 30, 1980 under these guaranties, including liability as to interest, was $133,020,000. If the principal obligors default in full, and if OPIC does not exercise certain prepayment rights, OPIC would be liable during the following fiscal years for the following amounts, in thousands:

Fiscal year	Contingent liability
1981	$ 30,344
1982	36,494
1983	32,269
1984	21,263
1985–8	12,650
	$133,020

Of the total contingent liability under claims settlement guaranties, $122,834,411 represents guaranties of obligations either incurred by the Government of Chile in compensation agreements with OPIC insureds or recognized by the Government of Chile in respect of debt previously insured by OPIC.

Also, in connection with the settlement of one claim, OPIC entered into an indemnity agreement with an insured in 1978 which could result in OPIC liability of up to $8 million.

(B) Pending Claims

OPIC follows a policy of recording investment insurance contract claims as financial liabilities only upon determination that a liability exists and where the amount of such liability can be reasonably estimated. In the case of most expropriation claims, the expropriatory action must continue for a period of one year before the claim matures. Formal applications for compensation are generally filed only with respect to mature claims and specify the particular events which have occurred and which, in the opinion of the investor, subject OPIC to liability.

The total amount of compensation requested in connection with formal applications for which no determination has yet been made is approximately $16 million. There are 3 claims filed under inconvertibility coverage, 7 under expropriation, 3 under war/revolution/insurrection, and 2 under expropriation and/or inconvertibility.

In addition to requiring formal applications for claimed compensation, the contracts require investors to notify OPIC promptly of host government action which the investor has reason to believe is or may become an expropriatory action. Careful investor compliance with this notice provision will sometimes result in their filing notice of events that do not mature into expropriatory actions.

The highly speculative nature of these notices both as to the likelihood that the event referred to will constitute expropriatory action and the amount of compensation, if any, that may become due leads OPIC to follow a consistent policy of making no reference to such notices in its financial statements. Any claims that might arise from these situations are, of course, encompassed in management's estimate that maximum potential exposure, prior to reinsurance, under existing investment insurance contracts is $3.1 billion (Note 5C).

(C) Political Risk Investment Insurance

OPIC issues investment insurance under limits fixed by the legislative authorization in the FAA and prior authorities. The utilization of these authorized amounts at September 30, 1980 (excluding obligations under guaranties issued in settlement of claims) was as follows, in millions:

	Total	Uncommitted	Outstanding
Prior authorities	$2,155		$2,155
FAA Section 235	7,500	$4,267	3,233
	$9,655	$4,267	$5,388

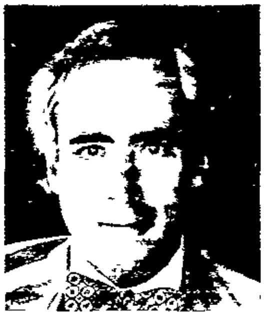
OPIC, as did its predecessors, insures the same investment against three different risks (inconvertibility of currency; expropriation; and war, revolution or insurrection). Under some contracts issued by predecessors, theoretically an investor could make successive claims under more than one coverage with respect to the same investment, thereby collecting aggregate compensation exceeding any single coverage amount. The outstanding amount reflects this theoretical possibility and in addition includes provision for insurance as to which OPIC is not currently at risk but is contractually obligated to provide upon the investor's future request to cover increases in retained earnings and accrued interest

The outstanding amount pursuant to legislative authorizations is of little use in evaluating realistically the maximum exposure at September 30, 1980 to insurance claims, because it includes insurance for which OPIC is not currently at risk and because it is improbable that multiple payments would be made for each investment. Management believes that a more accurate representation of maximum potential exposure to future claims arising from existing investment insurance contracts can be obtained by assuming that only one claim would be brought under each contract and that the coverage under which the claim would be brought would be the coverage with the highest amount of current insurance in force. Based on this assumption, management believes the maximum potential liability to claims at September 30, 1980 is $3.1 billion.

Note 6: Guaranty Reserve

The Guaranty Reserve at September 30, 1980 totaled $123,592,606 and OPIC has cash and U.S. Treasury securities in excess of this amount Section 235 of the FAA requires OPIC to have, at the time OPIC commits itself to issue any guaranty under Section 234(b) of the FAA, a Guaranty Reserve equal to at least 25 percent of guaranties then issued and outstanding or committed under 234(b) and prior authorities. At September 30, 1980, the Guaranty Reserve exceeded by $49 million the required minimum reserve. (See Note 4 for description of the Guaranty Reserve and full faith and credit status of guaranties.) Guaranties under prior authorities and Section 234(b) of the FAA include guaranties of debt, equity, and participations in DIF loans. The outstanding commitments at September 30, 1980 were as follows, in millions:

	Prior authority	FAA 234(b) and 235	Total
Legislative authorization	$15.0	$750 0	$765.0
Uncommitted		465.5	465.5
Total outstanding commitments	$15 0	$284 5	$299 5
Currently at risk, net of unfunded commitments	$15.0	$ 88.4	$103.4



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J. Bruce Llewellyn
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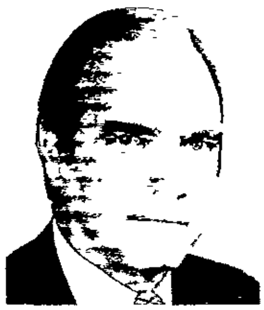

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OPIC has agreements with all of the listed countries and areas to permit the operation of its insurance and finance programs.

OPIC programs are presently available in most participating countries and areas although coverages are limited in some respects in the higher income areas which are indicated by an asterisk.

For current information regarding OPIC services offered in specific countries and areas, including their potential availability in nations not listed, or possible temporary limitations due to administrative or underwriting considerations, please call OPIC's Information Officer, Overseas Private Investment Corporation, Washington, D.C. 20527—(202) 653-2800.